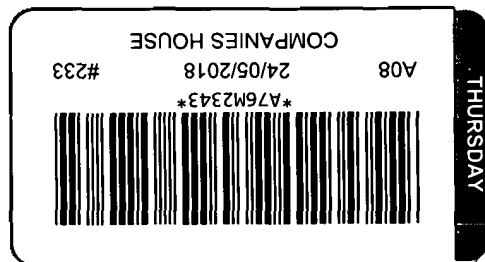


# ALPHA FX GROUP PLC

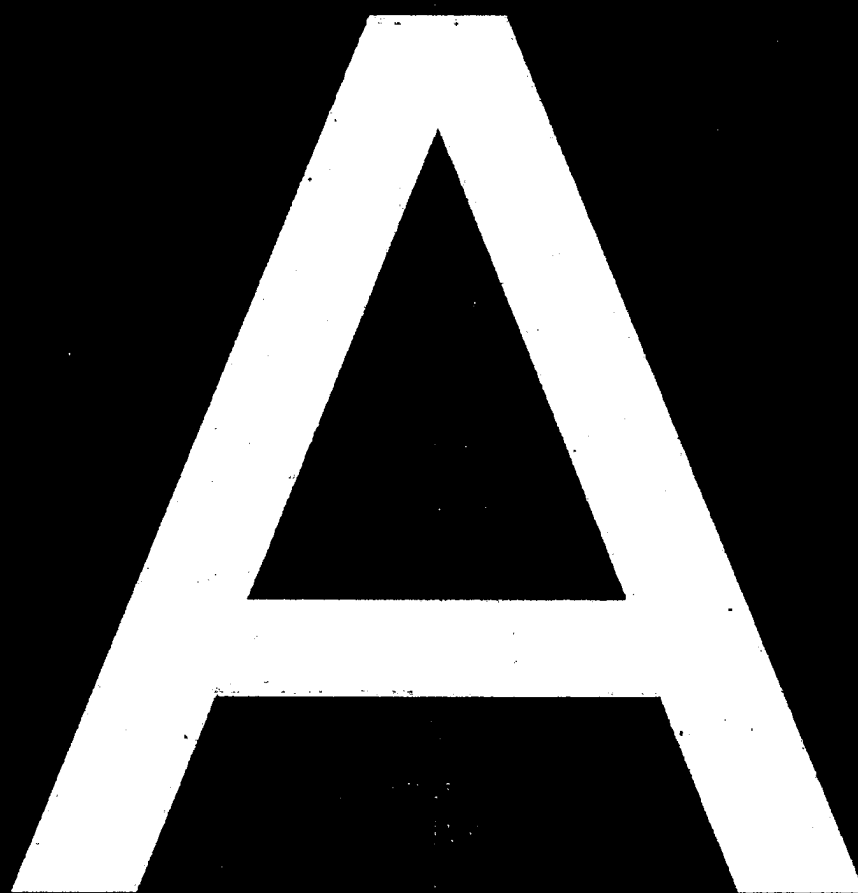
## ANNUAL REPORT 2017



---

ANNUAL REPORT 2017

ABOUT



OVERVIEW

HIGHLIGHTS

# FINANCIAL HIGHLIGHTS

## OVERVIEW

## HIGHLIGHTS

**+60%**

REVENUE GROWTH  
2016: +65%

**+55%**<sup>1</sup>

UNDERLYING OPERATING PROFIT GROWTH  
2016: +52%

**+29%**

OPERATING PROFIT GROWTH  
2016: +52%

**17.5p**<sup>2</sup>

UNDERLYING BASIC EARNINGS PER SHARE  
2016: 13.4p

**14.2p**

BASIC EARNINGS PER SHARE  
2016: 13.4p

**4.9p**<sup>3</sup>

ANNUAL DIVIDEND PER SHARE

**21.32**

FRONT OFFICE STAFF  
INCREASED BY 11

**7**

TECHNOLOGY TEAM  
NEW HEADS

**310**<sup>4</sup>

ACTIVE CLIENTS  
INCREASED BY 39%

**£13m**

ADDITIONAL CAPITAL  
SUCCESSFUL AIM  
LISTING IN APRIL 2017  
BEFORE ISSUE COSTS

**5%**

REVENUE GENERATED  
OUTSIDE OF UK  
2016: <1%

<sup>1</sup> Underlying operating profit excludes the impact of the one-off costs relating to the IPO and their tax effect and share-based payments.

<sup>2</sup> Underlying EPS excludes the impact of the one-off costs relating to the IPO and their tax effect and share-based payments.

<sup>3</sup> Includes final dividend of 3.4p payable on 16 May 2018 (date subject to shareholder approval).

<sup>4</sup> The Directors exclude Training Accounts to provide a clearer picture of client retention for the purposes of these figures. Training Accounts are defined as client accounts that have been onboarded by new employees which have generated less than £0,000 in total revenue.



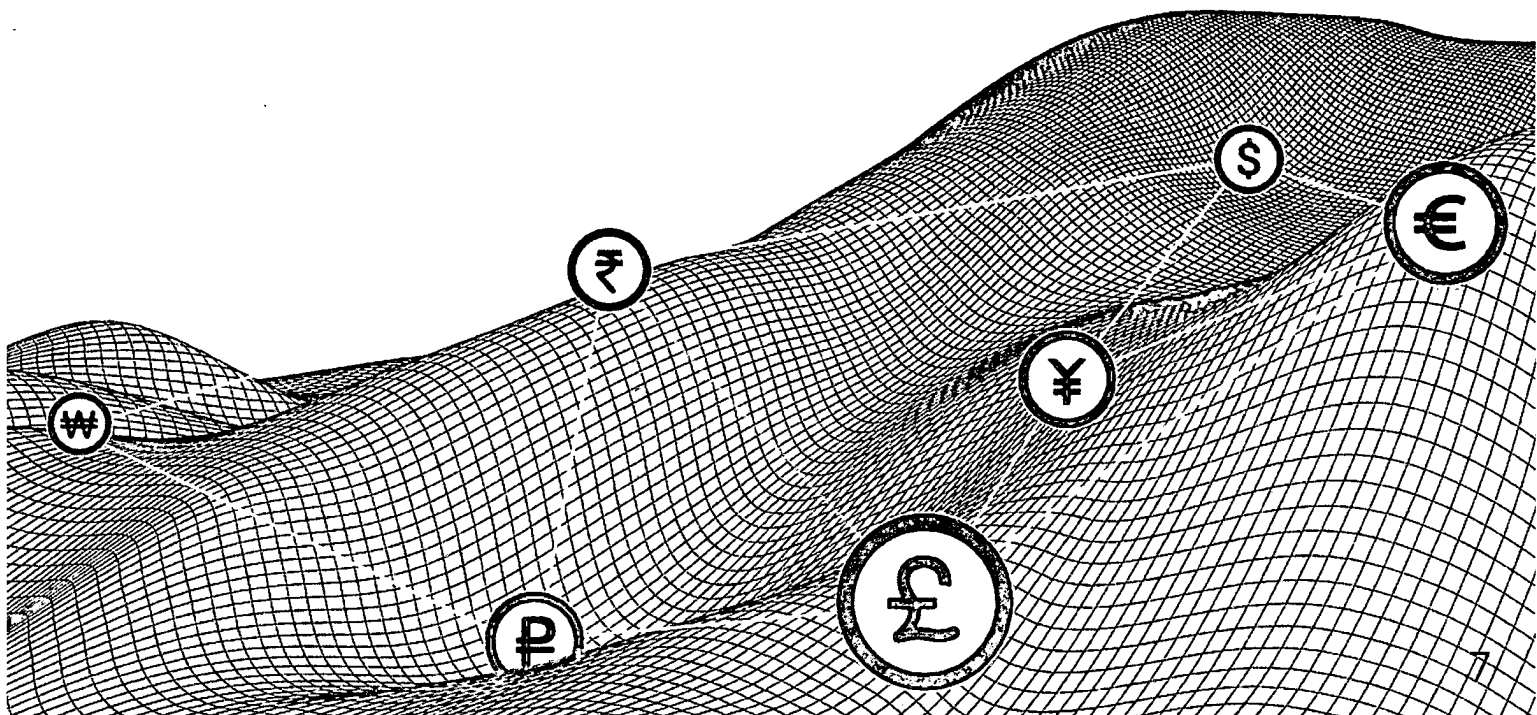


## What we do

Alpha is a foreign exchange specialist working internationally for businesses and institutions impacted by currency volatility.

Founded in 2009, we have a logical and consultative approach to currency management, and deliver this through leading expertise and pioneering technology to help clients achieve better outcomes when managing their foreign exchange exposures, whilst also saving them time and resource.

Despite our consultative approach, we charge no upfront costs or retainer fees, instead monetising our services by generating a margin on trades. By doing so, we are able to provide a service, traditionally the privilege of FTSE100 companies or those with large treasury departments and make it accessible to all businesses impacted by currency volatility.



# What drives our business?

## People

Our greatest strength has always been our people. Our team is made up of an eclectic range of high calibre individuals brought together by a shared vision and desire to be leaders within their industry. Common to everyone is their commitment, passion and ability to problem solve creatively in order to innovate and drive Alpha forward.

## Culture

At the heart of Alpha's culture is the shared belief that we are all looking to create something very special. As we grow as a public company, we strive to maintain an early stage growth mentality and this is reflected in the urgency, accountability and passion which everyone brings to their role. We are driven by a collective desire to constantly improve, so that we can become leaders within our industry and beyond.

## Technology

Technology is key to our business and we will continue to invest in the ongoing development of our online platform which provides an ever-strengthening foundation upon which we are able to innovate and develop our client services.

Our tech team is focused on pioneering financial technology solutions for clients, whilst equally

providing the tools to maximise the efficiencies and capabilities within our own business and infrastructure.

## Knowledge

Our reputation is built on the intellectual capital of our people and our teams look beyond the surface of a problem and think deeply and laterally on how to solve it in order to deliver the most effective solutions. Ultimately, our combined knowledge and experience is intended to empower our clients to manage their currency exposures in the most effective manner possible, whilst also driving Alpha forward.



# Chairman's Statement

"Our flotation has already significantly raised the profile of our business, whilst enabling us to make key investments and accelerate our growth strategy."



## Summary

FY17 was a landmark year in Alpha's history. The IPO in April marked the start of a new chapter for the Group, providing the capital to make significant investments across all areas of the business, whilst also raising our public profile.

Although we listed less than 12 months ago, the benefits are already evident in the full year performance of the Group, and as such I'm pleased to report a strong set of financial results. Growth in revenue was up 60% versus FY16 and underlying operating profit increased 55%.

## Board & People

Alpha's success to date has been the result of the passion, commitment and vision of its people and 2017 was no exception. On behalf of the Board, I would like to thank everyone for their hard work in making 2017 another successful year and am looking forward to working with you to build on this further in 2018.

We are also pleased to welcome Henry Lisney to the Board in the role of Chief Operating Officer. Henry joined Alpha in 2013 as a Portfolio Manager before quickly rising to the role of Operations Director prior to his appointment in March this year as COO. He has been hugely influential in developing all areas of the business, spearheading the Company's IPO last year, as well as leading the expansion of our product offering. Henry's rapid progression is testament to Alpha's culture of meritocracy.

Looking ahead, the Group will continue to benefit from its founder-led management team. At the same time, we are delighted to see many existing employees progressing to take on more senior roles, and this is playing a key role in ensuring Alpha's impressive culture continues to resonate throughout the Group.

It is particularly pleasing to note that 15 employees saw their first tranche of share options vest due to the overall strong revenue performance of the Group and I believe this increased level of ownership bodes well for a company that has always thrived off its entrepreneurial mind-set.

## Dividend

The Board has a stated policy to target a dividend of approximately 30 per cent. of the Group's underlying profits after tax in each financial year.

In line with our stated dividend policy, we paid our maiden interim dividend of 1.5 pence per share in October 2017. The Board has recommended a final dividend of 3.4 pence per share giving a total dividend for the financial year of 4.9 pence per

share. Subject to approval by shareholders at the Annual General Meeting on 11 May 2018, the final dividend will be paid on 16 May 2018 to shareholders on the register at 13 April 2018. The ex-dividend date will be 12 April 2018.

**The Year Ahead**

2018 will be our first full year as a publically listed business. Even with our strong performance to date, we have only penetrated a small proportion of our addressable market, one that will over time become even larger with our recent entrance into overseas markets and expansion into new sectors such as the institutional and funds market.

Having invested in technology, new product development and infrastructure in 2017, along with the growth of our team, we are well positioned for further growth. Q1 has already started positively and with a clear strategy and a highly motivated team in place, I am looking forward to the rest of the year with optimism.

**Clive Kahn**

Non-Executive Chairman

## Chief Executive's Statement

"Everyone at Alpha passionately believes our IPO marked the start of our journey, not the end. We took Alpha public to avoid the 'destination mentality' and now have the opportunity to continue developing a very special business."



### Operational Review

2017 marked a strong year of growth for Alpha, both in revenue and in our investment in staff and infrastructure.

During the year, we increased our client numbers by 39%, bringing our total number of clients to 310. Pleasingly, the fact that our revenue has grown at a higher percentage is a reflection of the larger trades that we are doing and the increasing size of our clients.

We will continue to focus on growing our client base by penetrating our existing corporate marketplace in the UK, alongside continued expansion into the institutional marketplace and overseas sectors.

Europe in particular presents a very exciting area of expansion for us. During the financial year we have recruited staff for our London office who are fluent in foreign languages which has enabled us

to steadily expand into select European territories. As a result, we successfully onboarded our first European clients in the second half of the financial year.

Whilst we are constantly looking for ways to acquire new clients, we remain dedicated to providing the very best levels of service to our existing client base. To ensure this, my co-founder Jon Currie has recently moved into a role focused on enhancing our service delivery and is working collaboratively with our clients to improve our customer insights and perpetuate our high levels of client retention. Further operational progress was made with the expansion of our FX Analysis team and through obtaining regulatory approval to sell derivative products. As well as providing additional benefits to our existing clients, both developments will undoubtedly increase our appeal to prospective clients.

Aside from penetrating our traditional corporate marketplace, we have targeted the institutional and funds marketplace, which presents a valuable growth opportunity for Alpha. As such, we have created a team with a wealth of experience in institutional FX and tailored our technology and service solutions to meet investment managers' specific and increasingly complex needs.

Throughout the course of this year we have also continued to invest in the ongoing development of our technology platform which has proved to be an important element of our advisory service offering and this will continue to be a focus moving forward. Our online currency management platform has been developed in-house and we believe, affords us a strong

competitive advantage. It provides our clients with a tailored and comprehensive overview of their currency exposures and is subsequently allowing them to manage and report on these exposures more effectively, whilst reducing the time and costs involved in doing so. We believe that our bespoke platform offers customers a greater insight into their hedging activities than our competitors and has become a key differentiator in a short space of time, helping us with both customer acquisition and retention, as well as margin protection. In light of this, we made the important decision to migrate to a new Cloud Application Platform in February 2018 which offers richer functionality, greater customisation and increased scalability.

Technology is an important cornerstone of the business and we have a strong technology development roadmap in place, and further functionality will be introduced during 2018 to enhance the platform. A reflection of the importance we place on our technology is the fact that our team of developers has grown from 2 at the start of the year to 9.

In December, we relocated our head office to London to bring all our team under one roof in order to support the unique culture which ultimately underpins our success. We have already seen the benefits of a single, larger office, with wider skill sharing, stronger relationships being forged and a positive atmosphere of camaraderie and collaboration.

### People

When we listed Alpha in April, we underestimated how influential it was going to be in helping us acquire exceptional talent. Our plc status has served as a testament to Alpha's success and future ambitions, enabling us to attract high calibre individuals in a relatively short space of time, and with a noticeable shift in the volume and quality of inbound applications.

As planned, total headcount increased from 30 to 51 during the course of the year.

Of these new recruits, 11 joined the Front Office team to continue the rate of client acquisition in the UK corporate market, as well as penetrating

overseas territories from our office in London. As always, we expect staff contributions to increase incrementally as individuals develop along the learning curve, and I am pleased that yet again, new starters in FY17 outperformed those in FY16 - a trend I expect to continue due to the compounding effect of surrounding great people with more great people, alongside our evolving service and infrastructure and the growing reputation of Alpha in our target markets.

The majority of remaining new team members joined our Technology team, spearheading new product development and technological innovation, with a particular focus on evolving Alpha's online currency management platform and payment functionality, as well as developing custom platform solutions for our clients.

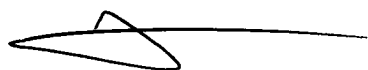
### Thank you

The bedrock of our business has always been our people, and I would like to thank everyone who has got Alpha to this stage in its journey. Your commitment and vision is helping to build a business that is driving change within the industry, as well as a culture I feel incredibly privileged to be a part of.

Last but by no means least, I would like to thank you, our shareholders who believe in our vision and are helping us to take Alpha to new heights, whilst accelerating positive changes within our industry.

### Outlook

Everyone at Alpha passionately believes our IPO marked the start of our journey, not the end. We took Alpha public to enable our growth ambitions whilst ensuring we could maintain the entrepreneurial culture that got us here in the first place. We now have the opportunity to create a very special business, with a clear vision and growth strategy. I look forward to being able to report back on further progress achieved in the current year.



**Morgan Tillbrook**  
Chief Executive Officer

## Our Strategy

"A clear strategy lies before a highly capable and motivated team, who now have an enhanced service offering and wealth of new resources at their disposal."



- Acquire new clients
- Retain existing clients and increase share of their spend
- Develop our offering
- Nurture our culture
- Build scale and efficiencies

### Strategy

#### Acquire new clients

*We will continue to grow our client base by penetrating further into the corporate and institutional market in the UK, alongside expansion into overseas markets and sectors.*

### Progress to date

- Total number of clients increased from 223 to 310 during the year, representing a 39% increase on 2016.<sup>6</sup>
- Front Office team grew from 21 to 32 to accelerate the rate of client acquisition and three experienced Portfolio Managers were promoted internally to Senior Strategists, ensuring the Front Office team has ample support to acquire new clients.
- Increased penetration into overseas markets, having recruited staff that are fluent in foreign languages, all of whom are based from our offices in London.
- Received approval from the FCA to passport certain regulatory products and services across Europe as well as receiving authorisation from Fintrac in Canada to provide permitted products and services to the Canadian market.
- Since the year end, we have invested in our fund and institutional FX offering, hiring two highly experienced sector heads, who lead a team solely focused on penetrating this space.

<sup>6</sup> The Group exclude Training Accounts (those that have generated less than £10,000 in revenue since being onboarded) in order to provide a clearer picture of client numbers for the purposes of these figures.

**Strategy****Progress to date****Retain existing clients and increase share of their spend**

*We will continue to retain our clients by ensuring we can always service and anticipate their needs.*

- Alpha's co-founder and second largest shareholder, Jon Currie, has moved into a role focused on client retention and is supported by an expanded Service Delivery team, ensuring our clients continue to receive a dedicated and high-touch level of service as we grow.
- Significant investment has been made in developing the scope and depth of our offering (see 'Developing our service Offering').
- We continue to work in consultation with clients to develop custom online platform features specifically for their business, providing solutions to problems they've struggled to find anywhere else (and at no upfront or subscription cost).

**Developing our service offering**

*We are constantly innovating to ensure we continue to have a highly differentiated and valuable service offering, which will help us win clients and then retain them.*

- FX Analysis team formed to enhance the depth of research behind hedging programmes, as well as provide more comprehensive and detailed technical analysis.
- Options department formed, led by an FCA approved individual with over ten years' experience, expanding the range of products we can offer our clients and allowing us to cater effectively to the needs of those with more complex exposures. Much like the custom online platform features developed by our technology team, our Options team is enabling us to develop custom FX products for our clients.
- Alpha's online currency management platform underwent a number of major upgrades to enhance the reporting and currency management capabilities it provides. In addition, a number of bespoke platform modules were developed for clients, which will be rolled out more widely in the future.
- There are a number of exciting new online platform developments due to be launched throughout 2018, which will continue to cement Alpha's position as a leading innovator in currency management.

**Strategy****Develop/nurture our culture**

*Alpha's culture has underpinned the Group's success to date and is the lifeblood of our business. As the Group continues to grow, we remain relentlessly focused on nurturing it and helping it to evolve in the right way through a focus on collaboration, idea sharing and accountability.*

**Progress to date**

- In December 2017, we consolidated our teams in Reading and London into a new office in Paddington. The benefits of this are already being felt with skill-sharing, stronger relationships being formed and a general atmosphere of camaraderie and collaboration that emanates from having everyone under one roof. Our office in Reading was previously recognised as one of the 'Coolest Offices in Europe' and our intention is to create an equally inspiring environment to support our growth culture.
- The Group's growth share scheme continues to provide committed and high performing employees with the opportunity to obtain equity in the Company. It is creating a company of owners and remains a key part of the entrepreneurial mentality that drives our growth. Significantly, in September 2017 the vesting schedule of the scheme was extended from three to five years, in a unanimous demonstration of our employees' commitment to the long-term growth of the business.
- Team training activities are held throughout the year both in the UK and abroad. As well as developing new skills and knowledge, these provide key opportunities for our employees to get to know other members of the wider team, enhancing Alpha's collegiate culture.

**Build scale and efficiencies**

*We will continue to ensure our core service offering and infrastructure remains agile in order that we can maintain an ever evolving foundation upon which to scale and drive efficiencies*

- Alongside investing in technology and service delivery to support Front Office staff, we have also made considerable investment in developing our existing infrastructure in order to drive efficiency and increase automation.
- In January 2018, the Group became a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication) and we continue to test and investigate new payment networks which have the potential to improve efficiencies and the breadth of our service offering.
- In recognition of the value of our currency management platform, we made the decision to migrate to a new Cloud Application Platform which offers richer functionality, greater customisation and scalability.
- Whilst the outcomes of the Brexit negotiations still remain uncertain, Alpha's clients will, by their nature, continue to have a requirement to buy or sell currency to fulfil their international trading activities. Subsequently, regardless of the outcome of Brexit negotiations, we remain confident in our ability to scale and meet our revenue goals.



By order of the Board

**Henry Lisney**  
Chief Operating Officer

20 March 2018

## Financial Review

"2017 was another impressive year for Alpha with strong revenue growth and robust profit margins."



### Financial Review

Revenue in the year ended 31 December 2017 grew by 60% to £13.5m (2016: £8.5m). Revenue continues to be driven by increasing revenue from new clients and strong client retention, as well as new starters in 2017 continuing to outperform those from the previous year.

The average commission (revenue as a % of gross value of currency transactions sold) increased in the year to 31 December 2017, due primarily to a higher proportion of forward trades (which attract a higher commission rate) as well as the larger trades and a change in the mix of currencies. There were no structural changes in forward commission rates in the year to 31 December 2017 compared to the prior year.

Underlying operating profit increased by 55% to £6.8m (2016: £4.4m) whilst on a reported basis operating profit was up 29% to £5.6m (2016: £4.4m). In 2017 there was continued investment in headcount in both the Front and Back Office with total headcount increasing from 30 to 51.

Despite this continued investment, the Group delivered an underlying operating profit margin of 50% (2016: 51%).

The effective rate of taxation for 2017 was 22%. This is higher than the standard rate primarily as a result of costs of the IPO which are not allowable for tax purposes.

Underlying basic earnings per share that exclude the impact of the one-off costs relating to the IPO and their tax effect and share-based payments, increased from 13.4p in 2016 to 17.5p in 2017. Basic earnings per share increased from 13.4p in 2016 to 14.2p in 2017.

On 7 April 2017, the Company issued 6,632,653 new shares upon admission to the London Stock Exchange raising £12.3m after expenses. Part of the net proceeds were used to repay the shareholder loans in existence as at 31 December 2016 of £1.4m.

### Cash flow

On a statutory basis, net cash and cash equivalents increased by £5.5m to £13.1m. However, the Group's cash position can fluctuate significantly from year to year due to the impact of changes in the collateral received from clients, early settlement of trades, or the unrealised mark to market profit or loss from client swaps, resulting in an increase or decrease in cash with a corresponding change in other payables and trade receivables. Therefore, in addition to the statutory cash flow, the Group presents an adjusted net cash summary below which excludes the above items. In the year ended 31 December 2017 net cash on the non-statutory basis increased by £11.9m to £13.7m, largely due to the net proceeds of the IPO and the profitable trading in the year.

## STRATEGIC REPORT

## FINANCIAL REVIEW

|                                                                                            | 31 December 2017 | 31 December 2016 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                            | £'000            | £'000            |
| Net cash and cash equivalents                                                              | 13,073           | 7,581            |
| Variation margin paid to banking counterparties                                            | 3,517            | 4,342            |
|                                                                                            | 16,590           | 11,923           |
| Margin received from clients & client held funds*                                          | (4,036)          | (9,772)          |
| Net MTM timing loss/(profit) from client drawdowns and extensions within trade receivables | 1,102            | (350)            |
| <b>Adjusted net cash**</b>                                                                 | <b>13,656</b>    | <b>1,801</b>     |

\* Represents 'other payables' within 'trade and other payables'

\*\* Excluding collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps

The table below presents the operating cash conversion on a similar basis, which excludes collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps. Cash conversion for the year ended 31 December 2017 reduced to 47% from 60% on the prior year. The reduction is due to an increase in the proportion of forward trades which represented 89% of the revenue in 2017 compared to 85% in 2016 as well an increase in the average tenure of forward transactions.

|                                                    | Year ended<br>31 December 2017 | Year ended<br>31 December 2016 |
|----------------------------------------------------|--------------------------------|--------------------------------|
|                                                    | £'000                          | £'000                          |
| <b>Underlying operating profit</b>                 | <b>6,754</b>                   | <b>4,358</b>                   |
| Depreciation & amortisation                        | 101                            | 57                             |
| Loss on sale of fixed assets                       | 26                             | -                              |
| Increase in debtors**                              | (3,702)                        | (2,145)                        |
| Increase in creditors**                            | 226                            | 427                            |
| Less capital expenditure                           | (233)                          | (90)                           |
| Cash from operations before tax, and after capex** | 3,172                          | 2,607                          |
| <b>Conversion</b>                                  | <b>47%</b>                     | <b>60%</b>                     |

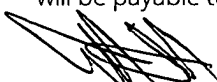
\*\* Excluding collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps

### Relocation of Head Office

In December 2017 we consolidated our teams into one office with the staff from Reading moving to London. The financial statements at 31 December 2017 include an onerous lease provision of £190,000 representing the anticipated difference in rent receivable and rent payable in Reading for the remainder of the lease.

### Dividend

The Board intends to target a dividend of approximately 30% of the Group's underlying profits after tax in each financial year. In line with this dividend policy which was set out in its Admission document and following the payment of the interim dividend of 1.5 pence per share in October 2017, the Board is pleased to declare a maiden final dividend of 3.4 pence per share. Subject to shareholder approval, the Dividend will be payable to Shareholders on the register as at 13 April 2018 and will be paid on 16 May 2018.



**Tim Kidd**  
Chief Financial Officer

## Principal Risks & Uncertainties

The Board sets out below the key strategic risks and uncertainties that the Directors consider could impact the business. The Board continually reviews the potential strategic risks facing the Group and the controls in place to mitigate any potential adverse impacts. The Board also recognises that the nature and scope of risks may change and that there may be other risks to which the Group is exposed and so the list is not intended to be exhaustive.

### IT and Cyber Security Risk

The Group faces the risk of its operating systems failing, as well as the failure to safeguard the business-critical data and systems against cyber security risks. As a result, the Group may become unable to carry out its business activities resulting in a financial and reputational loss.

This risk is mitigated by maintaining robust network perimeter defences, continual data backup, and the use of a secure end-to-end CRM system and online platform. Additionally, a robust IT security policy is supported by penetration testing as well as regular training for all members of staff.

### Liquidity Risk

Liquidity risk arises if the Group is unable to meet its financial obligations when due. For example, if the Group is unable to deposit margin required by its banking counterparties, this could lead to the Group becoming unable or restricted in its ability to meet trading capital requirements which in turn could result in the ability of the banking counterparties to terminate the financing facilities with the Group.

Alpha operates a matched-principal brokerage model, meaning it simultaneously executes a matching trade with its banking counterparties on receipt of client orders.

The Group has facilities with the banking counterparties. These facilities enable the Group to book both forward and spot contracts on behalf of its clients.

The banking counterparties mark to market all of the Group's forward contracts at the end of each business day.

To calculate the level of margin required, the Group's banking counterparties mark to market ("MTM") the Group's net currency positions (meaning foreign exchange positions favourably affected by market movements are offset against those adversely affected). As a result, the Group is able to benefit from exchange rate movements when it has positions on both sides of the market (e.g. a depreciation in the Euro will negatively impact the Group's long Euro positions, but at the same time benefit its Euro short positions). This results in a net claim payable to (or claim on) the banking counterparties. If a net claim is payable, the Group is required to deposit margin with its banking counterparties on the following business day.

The Group funds margin due to its banking counterparties through client margin calls and its own funds. When the Group makes a margin call, clients have one business day to deposit margin with the Group once called.

The Group benefits from the fact that trading terms with its banking counterparties are more favourable than those offered to its clients, and it only has to fund its net FX exposure with its banking counterparties (i.e. if two clients make equal and opposing trades simultaneously its exposure is nil).

Liquidity risk is primarily driven by:

- A sudden sharp movement in exchange rates when a currency is net long/short; or
- An over-extension of hedging facilities.

If the Group were unable to meet its financial obligations when due, this would have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group has a Liquidity Policy in place to mitigate any such risks. The Liquidity Policy provides that:

- weekly stress tests are carried out that subject the Group's net currency positions to simulated significant FX market volatility;
- robust margin call terms are maintained with clients;
- an over extension of hedging facilities is managed through internally mandating a minimum amount of Alpha's free cash to be placed against each hedging facility extended; and
- Alpha's balance sheet must be well capitalised with cash so that in the event that they are called for margin collateral by a banking counterparty but unable to call on their clients as they have granted them a 'hedging facility', they are able to fund the position.

#### Credit Risk

Alpha is exposed to credit risk if a client fails to deliver currency at maturity of the contract or fails to deposit margin when a margin call is made. In either scenario, Alpha's policy is to immediately cancel the trade through booking an equal and opposite trade (in order to reverse the original contract). Alpha is therefore exposed to the movements in the exchange rate of the total value of the contract since the trade was booked,

or since the date of the last margin call, up to the date of cancellation. However, Alpha has a credit policy in place to mitigate any potential losses arising from a client failing to settle; in particular, Alpha assesses the creditworthiness of clients and, where a hedging facility has been extended, puts in place strict limits (typically limited to 3 per cent. or 5 per cent. of the value of the contract with a client). If a client should fail to make payments to the Group when due, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

#### Regulatory Risk

The Group faces the risk of failing to adhere to its regulatory and legal requirements. The provision of the Group's services falls within various regulatory spheres, including the UK Money Laundering Regulations 2007, the Payment Services Regulations 2009, the UK Financial Services and Markets Act 2000 and the Markets in Financial Instruments Directive (MiFID). The Group maintains robust policies and procedures, systems and controls and monitoring and assurance programmes to ensure continued compliance with its regulatory obligations. Alongside this, the Group engages the services of independent compliance consultancies to review its compliance with regulatory requirements.

A report on the Group's arrangements for managing compliance risk is presented to the Board on an annual basis. A compliance update is also provided at the Group's Board meetings on a regular basis.

#### Operational Risk

The Group is subject to the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. This can include so-called 'Fat Finger' errors: the incorrect inputting or execution of a trade (either into the Group's reporting software or to one of the Group's Banking Counterparties), as well as internal fraud e.g. intentional misreporting of positions, employee thefts, and insider trading on an employee's own account.

The Group minimises 'Fat Finger' errors through daily reconciliations of all account balances (meaning any trade error should be identified early), as well as ensuring trades greater than £2,000,000.00 are reconciled within the hour. Where an error has been identified, it is the Group's policy to immediately cancel the trade through booking an equal and opposite trade (in order to reverse the original contract). The Group also maintains a strict division between Front and Back Office functions to ensure Back Office remain independent and attentive to any errors that may have been caused by Front Office. Internal fraud is minimised through DBS screening all Back Office individuals, maintaining strict delegated authority limits, segregation of duties and regular monitoring and oversight across different management functions. The Group also maintains a whistleblowing policy, which is communicated to all members of staff.

**Financial Reporting Risk**

The Group may face the risk of reputational damage and financial loss resulting from a material misstatement in the Group's financial reporting.

This risk is mitigated by ongoing internal reviews and reconciliation carried out by qualified and experienced members of staff and the oversight of the Audit Committee.

**Key Management Risk**

The Group's success is linked to the efforts and abilities of key personnel and its capacity to retain such personnel. The executive management team has significant experience in the industry and has made an important contribution to the Group's growth and success. The loss of any member of the executive management team may have an adverse effect on operations of the Group.

To mitigate this risk, the Group continues to value the contribution made by its key executives and reward them accordingly. The Group operates cross functional input and knowledge sharing, and there is a detailed business continuity plan in the event of a disruption. The Group also has a key person insurance policy in place.

# Corporate Social Responsibility

**Equality & Diversity**

We remain committed to providing equal opportunities and diversity in the workplace, by recruiting and promoting staff based on their experience, skills and attitude. The Group therefore does not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender, or any other criteria.

We believe gender diversity within the foreign exchange industry, especially within Business Development roles, has considerable room for improvement. We are therefore focused on working with our recruitment partners to improve this trend and ensure gender never has any bearing on the recruitment process.

**Health & Safety (covering rights)**

The Board takes seriously its responsibility towards employees to provide a safe and healthy working environment. The Group complies with health and safety legislation including conducting regular inspections and risk assessments.

**Environment**

Alpha is committed to minimising the impact its operations have on the environment. Recycling of office supplies is undertaken where possible and the Group has adopted a largely paperless marketing model.

## Board of Directors



**Clive Kahn** – Non-Executive Chairman

Appointed to the Board: 16 December 2016

Committee membership: Nomination, Remuneration, Audit

Clive has over 30 years of experience in financial services, particularly FX and payments. He previously served as Chief Financial Officer and Chief Executive Officer of Travelex, the global foreign exchange business, as well as CEO of Cardsave, a credit card acceptance and payments solutions business.

In addition to his role as Non-Executive Chairman of Alpha FX Group plc, Clive is CEO of Payzone UK Limited, a payment solutions business. Clive is also a Chartered Accountant.



**Lisa Gordon** – Non-Executive Director

Appointed to the Board: 1 February 2017

Committee membership: Nomination, Remuneration, Audit

Lisa has more than 24 years of Board experience at both listed and private companies. She was previously a founding Director of Local World plc which was acquired by Trinity Mirror plc in November 2015, as well as COO of Yattendon Group, a private conglomerate, and Corporate Development Director of Chrysalis Group plc, the media group.

Lisa is also a Non-Executive Director of Albert Technologies plc, an AI technology business operating in the digital marketing sector and of Orange Eyes Limited (trading as Magic Light Pictures), a leading children's film and television production company.



**Morgan Tillbrook** – Chief Executive Officer

Appointed to the Board: 24 May 2010

Committee membership: Nomination

Morgan founded Alpha in 2009 after identifying the opportunity for providing a high quality FX advisory service differentiated from traditional providers. Prior to founding Alpha, Morgan established an online poker league and social network, Poker Project Ltd, which later formed part of Sky Poker. As CEO, Morgan has been instrumental in the expansion of the Group and its strong organic growth profile, and is responsible for the overall strategic development of the Group (both within the UK and internationally).

**Tim Kidd** – Chief Financial Officer

Appointed to the Board: 16 November 2016

Committee membership: None

Tim has over 25 years' experience in accounting and finance, including 16 years at FTSE listed ICAP plc where he held several senior finance and accounting roles, including Group Financial Controller and EMEA Chief Financial Officer. Tim is also a Chartered Accountant and Graduated with a degree in Accounting and Finance in 1987.

**Henry Lisney** – Chief Operating Officer

Appointed to the Board: 20 March 2018

Committee membership: None

Henry is responsible for driving Alpha's growth and innovation strategy, whilst maintaining the efficiency and effectiveness of all departments. He joined Alpha in 2013 as a Portfolio Manager, before quickly rising to the Role of Operations Director in 2015. He was appointed to the Board as COO in 2018.

Henry is a member of the Chartered Institute for Securities and Investment and holds a first-class degree in Management and Accounting.

# Corporate Governance Statement

**Compliance Statement**

The Board recognises the value and importance of high standards of corporate governance. The Directors implement appropriate measures (having regard to the current stage of development of the Group) to comply, so far as practicable, with the UK Corporate Governance Code.

**Board Composition**

The Board is responsible for the successful stewardship of the Group.

From 20 March 2018 the Board comprised two non-executive Directors and three executive Directors. The two non-executive Directors are independent.

**Board Committees**

The Directors have established an audit committee, a nomination committee and a remuneration committee, with formally delegated duties and responsibilities.

**Audit Committee**

The audit committee is chaired by Lisa Gordon; its other member is Clive Kahn. It determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. In addition, it considers the financial performance, position and prospects of the Group and ensure they are properly monitored and reported on. The audit committee meets not less than twice in each financial year and has unrestricted access to the Group's auditors.

**The Remuneration Committee**

The remuneration committee is chaired by Lisa Gordon; its other member is Clive Kahn. It reviews the performance of the Executive Directors and sets their remuneration, determines the payment of bonuses to the Executive Directors and considers the Group's bonus and incentive arrangements for employees. In exercising this role members of this committee have regard to the recommendations put forward in the Corporate Governance Code. The remuneration committee meets not less than twice a year and at such other times as the chairman of the committee requires.

**Nomination Committee**

The nomination committee is chaired by Clive Kahn; its other members are Lisa Gordon and Morgan Tillbrook. It reviews and recommends nominees as new Directors to the Board. The nomination committee meets not less than once a year and at such other times as the chairman of the committee requires.

**Board Effectiveness**

The Boards' skills and experience are outlined in their biographical details on pages 25 to 26.

**Meetings and Attendance**

The Directors' attendance at Board and Committee meetings during the year is shown below:

|                  | Board | Audit | Remuneration | Nominations |
|------------------|-------|-------|--------------|-------------|
| Clive Kahn       | 6/6   | 3/3   | 2/2          | 1/1         |
| Lisa Gordon      | 6/6   | 3/3   | 2/2          | 1/1         |
| Morgan Tillbrook | 6/6   | N/A   | N/A          | 1/1         |
| Tim Kidd         | 6/6   | N/A   | N/A          | N/A         |

**Internal Controls**

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to provide reasonable, but not absolute assurance against material misstatement or loss.

The Audit Committee monitors and reviews the Group's internal control procedures and reports its conclusions and recommendations to the Board.

**Communication with Shareholders**

Alpha is committed to providing up to date corporate information to existing and potential shareholders. The Group maintains communications with institutional shareholders through one-to-one meetings with Executive Directors, particularly following the publication of interim and full year results. Private shareholders are encouraged to attend the Annual General Meeting at which the Group's activities are considered and questions answered.

Any material presented is uploaded to the Company's website where it is available to all shareholders. Alpha is committed to providing up to date corporate information to existing and potential shareholders.

**Annual General Meeting**

The Annual General Meeting (AGM) of the Company will take place at 10am on 11 May 2018. The Notice of AGM and explanatory notes on all resolutions can be found at the end of this Annual Report and financial statements.

# Remuneration Committee Report

As an AIM listed company, Alpha FX Group plc is not required to prepare a Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (together the Regulations). However, the Directors appreciate the importance of the Regulations and will seek to follow them to the extent that is appropriate for its stage of development.

## Remuneration Committee

Details of the remuneration committee are provided in the Corporate Governance Statement.

## Remuneration Policy

The Group's policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate those Directors to achieve the Group's objectives without making excessive payments. The Board determines the terms and conditions of the Non-Executive Directors.

## Directors' remuneration

The following table summarises the total gross remuneration of the Directors who served in the year ended 31 December 2017.

|                                         | Year ended 31 December 2017 |            |              |                     |            |
|-----------------------------------------|-----------------------------|------------|--------------|---------------------|------------|
|                                         | Basic salary/fee<br>£       | Bonus<br>£ | Pension<br>£ | Share-based payment | Total<br>£ |
| <b>Executive</b>                        |                             |            |              |                     |            |
| Morgan Tillbrook                        | 225,000                     | 25,000     | 359          | –                   | 250,359    |
| Tim Kidd                                | 88,616                      | 20,000     | –            | 47,635              | 156,251    |
| <b>Non-executive</b>                    |                             |            |              |                     |            |
| Clive Kahn                              | 27,500                      | –          | –            | –                   | 27,500     |
| Lisa Gordon (appointed 1 February 2017) | 41,250                      | –          | –            | 82,687              | 123,937    |

|                                         | Year ended 31 December 2016 |            |              |                     |            |
|-----------------------------------------|-----------------------------|------------|--------------|---------------------|------------|
|                                         | Basic salary/fee<br>£       | Bonus<br>£ | Pension<br>£ | Share-based payment | Total<br>£ |
| <b>Executive</b>                        |                             |            |              |                     |            |
| Morgan Tillbrook                        | 158,400                     | –          | –            | –                   | 158,400    |
| Tim Kidd (appointed 16 November 2016)   | 9,524                       | –          | –            | –                   | 9,524      |
| <b>Non-executive</b>                    |                             |            |              |                     |            |
| Clive Kahn (appointed 16 December 2016) | –                           | –          | –            | –                   | –          |

The salary for Tim Kidd represents the salary for actual days worked.

In the year ended 31 December 2016, prior to the IPO, there were 5 other individuals who served as a Director of the Company for part of the year. In aggregate their total remuneration was £345,906.

### Directors' shareholding and share interests

The following table summarises the shareholding and share interests of the Directors at 31 December 2017.

#### As at 31 December 2017

|                      | Beneficially<br>owned | Unapproved<br>share option<br>scheme | Growth<br>Share<br>Scheme | Total     |
|----------------------|-----------------------|--------------------------------------|---------------------------|-----------|
| <b>Executive</b>     |                       |                                      |                           |           |
| Morgan Tillbrook     | 9,974,822             | -                                    | -                         | 9,974,822 |
| Tim Kidd             | 38,265                | -                                    | 68,136                    | 106,401   |
| <b>Non-executive</b> |                       |                                      |                           |           |
| Clive Kahn           | 397,361               | -                                    | -                         | 397,361   |
| Lisa Gordon          | -                     | 57,297                               | -                         | 57,297    |

Details of the Growth Share Scheme and the unapproved share option scheme are included in Note 25 of the Consolidated Financial Statements.

### Lisa Gordon

Chair of the Remuneration Committee

# Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017.

The corporate governance statement on page 27 also forms part of this Directors' report.

## Business Review

An analysis of the Group's development (including likely future developments) and performance is contained in the Chairman's Statement, CEO Statement and Our Strategy. Information on the financial risk management strategy of the Group and its exposure to its principal risks set out in the Principal Risks & Uncertainties section of the report on pages 21 to 23.

## Principal Activity

Alpha FX Group PLC (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is 2 Eastbourne Terrace, Paddington, London W2 6LG. The registered company number is 07262416. A list of the Company's subsidiaries is presented in note 13.

The Company's principal activity is the provision of foreign exchange services for corporates and institutions exposed to currency market volatility through its wholly owned subsidiary, Alpha FX Limited. Activities range from initial design and implementation of hedging strategies, to ongoing management and monitoring of currency risks.

## Results and Dividend

The Group's results for the year are shown in the statement of comprehensive income on page 39.

An interim dividend of 1.5 pence per share was paid on 13 October 2017 to shareholders on the register at 15 September 2017.

The Board intends to target a dividend of approximately 30% of the Group's underlying profits after tax in each financial year. In line with

our stated dividend policy, we are pleased to declare a final dividend of 3.4 pence per share. The final dividend will be payable on 16 May 2018 to shareholders on the register at 13 April 2018. The ex-dividend date is 12 April 2018.

## Directors

The Directors of the Group are shown below:

### Executive

Morgan Tillbrook  
Tim Kidd  
Henry Lisney (appointed 20 March 2018)

### Non-Executive

Clive Kahn  
Lisa Gordon

Biographical details, along with committee responsibilities are provided on pages 25 to 26.

## Directors' Interests

The Directors' interests in the Group's shares and options over ordinary shares are shown in the remuneration committee report on pages 29 to 30.

## Political Donations

The Group has not made in the past, nor does it presently intend to make in the future, any political donations.

## Post Balance Sheet events

On 20 March the Group launched a new institutional business division, with a focus on expanding Alpha's service offering to fund and institutional clients.

On 20 March 2018 the Company determined that following the vesting of shares under the Growth Share Scheme for the year ended 31 December 2017, it would be issuing 565,387 shares on 27 March 2018. Further details are provided in note 29 to the financial statements.

### Financial Instruments

The financial risk management objectives and policies of the Group, including credit risk, liquidity risk, cash flow risk, interest rate risk and currency risk, are provided in note 17 to the Consolidated Financial Statements on pages 61 to 64.

### Share Capital Structure

Details of changes in the Group's share capital are disclosed in note 20 of the consolidated financial statement.

### Share Options Schemes

Details of employee share schemes are set out in note 26 to the Consolidated Financial Statements.

### Going Concern

The Directors believe the Group is in a strong financial position due to its profitable operations and strong cash generation, and therefore that the Group has adequate resources to continue its operations for at least 12 months from the date of approval of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Research & Development

The Company has a continuous programme of development expenditure as part of its focus on evolving its service offering through technological innovation. Capitalised internal development expenditure is disclosed in note 11 of the financial statements. All other development expenditure is recognised in the Statement of Comprehensive income as an expense.

### Auditor and disclosure of information to auditor

BDO UK LLP were appointed as auditors on 7 December 2016 and are continuing in office. In accordance with s489(4) of the Companies Act 2006 a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all reasonable steps that he or she ought to have taken to make himself or herself

aware of any relevant audit information and to establish that the Group's auditors are aware of this information.

### Annual General Meeting

The Annual General Meeting will be held at 10am on 11 May 2018 at the offices of Bird & Bird, 12 New Fetter Lane, London EC4A 1JP. The Notice of Annual General Meeting and the ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report and financial statements.

### Statement of Directors Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and the Company for the period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**By order of the Board**



**Tim Kidd**  
Company Secretary  
20 March 2018

# Independent Auditor's Report

To The Members of Alpha FX Group PLC

## Opinion

We have audited the financial statements of Alpha FX Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, the company balance sheet, the company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Use of our report

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

and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Existence and accuracy of revenue

#### Key Audit Matter

The Group's revenue recognition policy is included with the accounting policies on page 46.

The Group's reported revenue is a key performance indicator for the market, it drives the level of sales commissions payable to front office staff and is a key metric in the Group's Growth Share Scheme used to incentivise directors, key management and certain staff. Due to the incentive that exists to overstate revenue, a significant risk of material misstatement is considered to be present over the existence and accuracy of revenue.

#### How we addressed the matter in our audit

We reviewed the revenue recognition policy applied to each of the Group's revenue streams and considered its compliance with IAS18 'Revenue'.

We assessed the design and implementation of the controls covering the existence and accuracy of revenue transactions. We then sample tested the relevant controls for operating effectiveness throughout the year.

We substantively tested a sample of revenue transactions for each material revenue stream to verify the existence and accuracy of revenue with reference to underlying supporting trade tickets and third-party information recorded with the banking counterparty.

Our testing did not identify any material misstatements in the amount of revenue recognised.

**Fair value of unsettled trades at year end****Key Audit Matter**

The Group has a substantial forward book comprising forward foreign currency trades not yet settled. At each reporting date Management are required to reassess the fair value of unsettled trades which includes adjusting the carrying value of the forward book with reference to their mark to market forward rates and also an assessment of credit worthiness of their counterparties.

A significant amount of management time is directed at ensuring the revaluation of the forward book to mark to market forward rates has been performed with material accuracy.

Management are required to exercise a significant level of judgement in their assessment of the credit worthiness of their counterparties and their probability of default. This presents a significant risk of material misstatement in the completeness and accuracy of the credit valuation adjustment.

The Group's fair value policy is included with the accounting policies on page 48 and the significant judgements are set out in note 3.

**How we addressed the matter in our audit**

We reviewed the fair value policy applied to the open positions at year end and considered its compliance with IFRS 13 'Fair value'.

We substantively tested a sample of trades within the open forward book at year end, ensuring that the mark to market forward rate has been appropriately applied.

We substantively tested a sample of Management's credit valuation adjustment calculations by vouching the input data to underlying accounting records and corroborated the information used by Management to make their assessment.

We recalculated the credit valuation adjustment using industry accepted techniques to compare against Management's own assessment of fair value.

Our testing did not identify any material misstatements in the credit valuation adjustment or the mark to market valuation of the forward book.

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceeded materiality, we use a lower level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £330,000 (2016: £256,000). This was determined with reference to the Group's profit before tax prior to the costs of the initial public offering ('IPO') in April 2017 and applying a percentage of 5%. Profit before tax and IPO costs is considered the most appropriate measure in assessing the performance of the Group given the IPO that occurred during the period and the markets focus on the Group's underlying profit before tax. The prior year comparative was set with reference to profit before tax and applying a percentage of 6%. Performance materiality was set at 70% (2016: 70%) of the Group materiality level on the basis that Management is accepting of audit differences proposed and there is a single trading component within the Group. The materiality for the parent company financial statement was set at £300,000

(2016: £31,000). This was determined with reference to the net assets of the company using a percentage of 2%. The performance materiality for the company was set using the same percentage level as the Group for the reason set out above.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £16,500. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**An overview of the scope of our audit**

The Group comprises the parent company and the trading subsidiary, Alpha FX Limited. BDO LLP performed a full scope audit of the parent and the subsidiary. There have been no significant changes in scope since the prior year.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Neil Fung-On** (*Senior Statutory Auditor*)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

20 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

|                                                                                     |      | Year ended<br>31 December<br>2017<br>£ | Year ended<br>31 December<br>2016<br>£ |
|-------------------------------------------------------------------------------------|------|----------------------------------------|----------------------------------------|
|                                                                                     | Note |                                        |                                        |
| <b>Revenue</b>                                                                      |      | 13,543,132                             | 8,475,424                              |
| Operating expenses                                                                  | 5    | (7,913,448)                            | (4,117,175)                            |
| <b>Underlying operating profit</b>                                                  |      | <b>6,753,889</b>                       | <b>4,358,249</b>                       |
| Cost associated with the IPO                                                        |      | (612,873)                              | -                                      |
| Share-based payments                                                                |      | (511,332)                              | -                                      |
| <b>Operating profit</b>                                                             |      | <b>5,629,684</b>                       | <b>4,358,249</b>                       |
| Finance income                                                                      | 6    | 25,110                                 | -                                      |
| Finance expenses                                                                    | 6    | (32,626)                               | (45,164)                               |
| <b>Profit before taxation</b>                                                       |      | <b>5,622,168</b>                       | <b>4,313,085</b>                       |
| Taxation                                                                            | 8    | (1,225,932)                            | (863,992)                              |
| <b>Profit and total comprehensive income<br/>for the year</b>                       |      | <b>4,396,236</b>                       | <b>3,449,093</b>                       |
| Profit for the year attributable to:                                                |      |                                        |                                        |
| Equity owners of the parent                                                         |      | 4,396,236                              | 2,940,086                              |
| Non-controlling interests                                                           |      | -                                      | 509,007                                |
|                                                                                     |      | <b>4,396,236</b>                       | <b>3,449,093</b>                       |
| Earnings per share attributable to equity owners<br>of the parent (pence per share) |      |                                        |                                        |
| - basic                                                                             | 9    | 14.2p                                  | 13.4p                                  |
| - diluted                                                                           | 9    | 13.9p                                  | 13.4p                                  |
| - <i>underlying basic</i>                                                           | 9    | <i>17.5p</i>                           | <i>13.4p</i>                           |
| - <i>underlying diluted</i>                                                         | 9    | <i>17.2p</i>                           | <i>13.4p</i>                           |

# Consolidated Statement of Financial Position

As at 31 December 2017

|                                      | Note | As at<br>31 December<br>2017<br>£ | As at<br>31 December<br>2016<br>£ |
|--------------------------------------|------|-----------------------------------|-----------------------------------|
| <b>Non-current assets</b>            |      |                                   |                                   |
| Intangible assets                    | 11   | 124,720                           | 45,521                            |
| Property, plant and equipment        | 12   | 197,025                           | 169,291                           |
| <b>Total non-current assets</b>      |      | <b>321,745</b>                    | <b>214,812</b>                    |
| <b>Current assets</b>                |      |                                   |                                   |
| Trade and other receivables          | 18   | 16,824,511                        | 15,792,474                        |
| Cash and cash equivalents            | 19   | 13,073,132                        | 7,963,625                         |
| Other cash balances                  | 19   | 1,571,475                         | 1,921,264                         |
| <b>Total current assets</b>          |      | <b>31,469,118</b>                 | <b>25,677,363</b>                 |
| <b>Total assets</b>                  |      | <b>31,790,863</b>                 | <b>25,892,175</b>                 |
| <b>Equity</b>                        |      |                                   |                                   |
| Share capital                        | 20   | 65,524                            | 1,118                             |
| Share premium account                | 20   | 12,237,951                        | -                                 |
| Capital redemption reserve           | 20   | 3,701                             | 60                                |
| Merger reserve                       | 20   | 666,529                           | 666,529                           |
| Retained earnings                    |      | 9,081,374                         | 4,748,978                         |
| <b>Total equity</b>                  |      | <b>22,055,079</b>                 | <b>5,416,685</b>                  |
| <b>Current liabilities</b>           |      |                                   |                                   |
| Loans and borrowings                 | 22   | -                                 | 1,381,282                         |
| Trade and other payables             | 23   | 8,830,511                         | 17,826,893                        |
| Current tax liability                |      | 694,692                           | 865,327                           |
| Provisions                           | 24   | 110,000                           | -                                 |
| <b>Total current liabilities</b>     |      | <b>9,635,203</b>                  | <b>20,073,502</b>                 |
| <b>Non-current liabilities</b>       |      |                                   |                                   |
| Loans and borrowings                 | 22   | -                                 | 370,500                           |
| Deferred tax liability               | 8    | 20,581                            | 31,488                            |
| Provisions                           | 24   | 80,000                            | -                                 |
| <b>Total non-current liabilities</b> |      | <b>100,581</b>                    | <b>401,988</b>                    |
| <b>Total equity and liabilities</b>  |      | <b>31,790,863</b>                 | <b>25,892,175</b>                 |

The consolidated financial statements of Alpha FX Group plc were approved by the Board of Directors on 20 March 2018 and signed on its behalf by:

**M J Tillbrook**  
Director

**T C Kidd**  
Director




# Consolidated Cash Flow Statement

For the year ended 31 December 2017

|                                                              | Note | Year ended<br>31 December<br>2017<br>£ | Year ended<br>31 December<br>2016<br>£ |
|--------------------------------------------------------------|------|----------------------------------------|----------------------------------------|
| <b>Cash flows from operating activities</b>                  |      |                                        |                                        |
| Profit before taxation                                       |      | 5,622,168                              | 4,313,085                              |
| Net finance expenses                                         | 6    | 7,516                                  | 45,164                                 |
| Amortisation of intangible assets                            | 11   | 26,316                                 | 1,979                                  |
| Depreciation of property, plant and equipment                | 12   | 74,590                                 | 54,724                                 |
| Loss on disposal of fixed assets                             | 12   | 25,507                                 | -                                      |
| Share-based payment expense                                  |      | 482,372                                | -                                      |
| Provision charged in year                                    | 24   | 190,000                                | -                                      |
| (Increase)/decrease in other receivables                     |      | (155,158)                              | 484,105                                |
| (Decrease)/increase in other payables                        |      | (5,676,021)                            | 6,053,170                              |
| (Increase) in derivative financial assets                    |      | (876,879)                              | (8,510,926)                            |
| (Decrease)/increase in derivative financial liabilities      |      | (3,320,361)                            | 3,649,156                              |
| Decrease/(increase) in other cash balances                   |      | 349,789                                | (1,302,835)                            |
| <b>Cash (outflows)/ inflows from operating activities</b>    |      | <b>(3,250,161)</b>                     | <b>4,787,622</b>                       |
| Tax paid                                                     |      | (1,409,547)                            | (908,868)                              |
| <b>Net cash (outflows)/inflows from operating activities</b> |      | <b>(4,659,708)</b>                     | <b>3,878,754</b>                       |
| <b>Cash flows from investing activities</b>                  |      |                                        |                                        |
| Expenditure on internally developed intangible assets        | 11   | (105,515)                              | (47,500)                               |
| Payments to acquire property, plant and equipment            | 12   | (127,831)                              | (42,961)                               |
| <b>Net cash outflows from investing activities</b>           |      | <b>(233,346)</b>                       | <b>(90,461)</b>                        |
| <b>Cash flows from financing activities</b>                  |      |                                        |                                        |
| Proceeds from borrowings                                     |      | 400,000                                | 475,925                                |
| Repayment of borrowings                                      |      | (1,769,425)                            | (100,000)                              |
| Dividends paid to equity owners of the Parent Company        |      | (491,430)                              | (510,000)                              |
| Amounts repaid by Directors                                  |      | -                                      | 242,642                                |
| Amounts lent to Directors                                    |      | -                                      | (40,173)                               |
| Issue of ordinary shares by Parent Company                   |      | 13,000,000                             | 900                                    |
| Share issue costs                                            |      | (748,784)                              | -                                      |
| Issue of ordinary shares by subsidiary                       |      | 2,073                                  | -                                      |
| Repurchase of preference shares in subsidiary                |      | -                                      | (477,000)                              |
| Purchase of non-controlling interest for cash*               |      | -                                      | (1,000,000)                            |
| Net interest paid                                            |      | (7,516)                                | (45,164)                               |
| <b>Net cash outflows from financing activities</b>           |      | <b>10,384,918</b>                      | <b>(1,452,870)</b>                     |
| <b>Increase in net cash and cash equivalents in the year</b> |      | <b>5,491,864</b>                       | <b>2,335,423</b>                       |
| Net cash and cash equivalents at beginning of year           |      | 7,581,268                              | 5,245,845                              |
| <b>Net cash and cash equivalents at end of year</b>          | 19   | <b>13,073,132</b>                      | <b>7,581,268</b>                       |

\* Reclassification of purchase of non-controlling interest for cash from investing activities in the prior year to financing activities in the current year

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

|                                                                     | Attributable to the owners of the parent |                       |                            |                |                   |                   |                           |                   |
|---------------------------------------------------------------------|------------------------------------------|-----------------------|----------------------------|----------------|-------------------|-------------------|---------------------------|-------------------|
|                                                                     | Share capital                            | Share premium account | Capital redemption reserve | Merger reserve | Retained Earnings | Total             | Non-controlling interests | Total             |
|                                                                     | £                                        |                       | £                          | £              | £                 | £                 | £                         | £                 |
| <b>Balance at 1 January 2016</b>                                    | <b>140</b>                               | <b>-</b>              | <b>-</b>                   | <b>-</b>       | <b>1,916,753</b>  | <b>1,916,893</b>  | <b>991,438</b>            | <b>2,908,331</b>  |
| Profit and total comprehensive income for the financial year        | -                                        | -                     | -                          | -              | 2,940,086         | 2,940,086         | 509,007                   | 3,449,093         |
| <i>Transactions with owners</i>                                     |                                          |                       |                            |                |                   |                   |                           |                   |
| Shares issued                                                       | 900                                      | -                     | -                          | -              | -                 | 900               | -                         | 900               |
| Shares repurchased from non-controlling interest                    | -                                        | -                     | -                          | -              | 260,759           | 260,759           | (1,260,759)               | (1,000,000)       |
| Cancellation of shares in Parent Company                            | (60)                                     | -                     | 60                         | -              | -                 | -                 | -                         | -                 |
| Cancellation of shares in subsidiary                                | -                                        | -                     | -                          | -              | (31,701)          | (31,701)          | 31,701                    | -                 |
| Settlement of non-controlling interest via share for share exchange | 138                                      | -                     | -                          | 666,529        | 173,081           | 839,748           | (839,610)                 | 138               |
| Dividends paid                                                      | -                                        | -                     | -                          | -              | (510,000)         | (510,000)         | -                         | (510,000)         |
| Waiver by non-controlling interests of dividend liabilities         | -                                        | -                     | -                          | -              | -                 | -                 | 568,223                   | 568,223           |
| <b>Balance at 31 December 2016</b>                                  | <b>1,118</b>                             | <b>-</b>              | <b>60</b>                  | <b>666,529</b> | <b>4,748,978</b>  | <b>5,416,685</b>  | <b>-</b>                  | <b>5,416,685</b>  |
| Profit and total comprehensive income for the financial year        | -                                        | -                     | -                          | -              | 4,396,236         | 4,396,236         | -                         | 4,396,236         |
| <i>Transactions with owners</i>                                     |                                          |                       |                            |                |                   |                   |                           |                   |
| Bonus shares issued                                                 | 54,782                                   | -                     | -                          | -              | (54,782)          | -                 | -                         | -                 |
| Cancellation of shares in Parent Company                            | (3,641)                                  | -                     | 3,641                      | -              | -                 | -                 | -                         | -                 |
| Shares issued on listing                                            | 13,265                                   | 12,986,735            | -                          | -              | -                 | 13,000,000        | -                         | 13,000,000        |
| Costs of issue of equity shares                                     | -                                        | (748,784)             | -                          | -              | -                 | (748,784)         | -                         | (748,784)         |
| Dividends paid                                                      | -                                        | -                     | -                          | -              | (491,430)         | (491,430)         | -                         | (491,430)         |
| Share-based payments                                                | -                                        | -                     | -                          | -              | 482,372           | 482,372           | -                         | 482,372           |
| <b>Balance at 31 December 2017</b>                                  | <b>65,524</b>                            | <b>12,237,951</b>     | <b>3,701</b>               | <b>666,529</b> | <b>9,081,374</b>  | <b>22,055,079</b> | <b>-</b>                  | <b>22,055,079</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 1. General information

Alpha FX Group plc, (the 'Company') is a public limited company having listed its shares on AIM, a market operated by The London Stock Exchange, on 7 April 2017. The Company is incorporated and domiciled in the UK (registered number 07262416) and its registered office is 2 Eastbourne Terrace, London, W2 6LG. The consolidated financial statements incorporate the results of the Company and its subsidiary undertaking Alpha FX Limited.

The Company's principal activity is the provision of foreign exchange services for corporates exposed to currency market volatility through its 100% owned subsidiary Alpha FX Limited. Activities range from initial design and implementation of hedging strategies, on-going management and monitoring of currency risks and the provision of technology solutions.

The principal accounting policies adopted by the Group are set out in note 2.

## 2. Accounting policies

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union ("IFRS").

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Group are set out below. The consolidated financial statements are presented in pounds sterling ("£") except when otherwise indicated. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and have been applied consistently throughout all periods presented.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of this section.

The consolidated financial statements are prepared on the historical cost basis except for the measurement of certain financial instruments.

### Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the approval date of the financial statements. For these reasons, they continue to adopt the going concern basis in preparing the Group's financial statements.

## 2. Accounting policies (continued)

### New standards, amendments and interpretations

At the date of the authorisation of these financial statements, there are number of new standards, amendments to standards and interpretations that have been published but are not yet effective for the year ended 31 December 2017 and have not been adopted early.

#### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all 3 aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group adopted the new standard on the required effective date. The Group does not expect a significant impact on the consolidated statement of financial position or statement of comprehensive income. The key areas of change in IFRS 9 are around; trade debtors and hedge accounting, which are not applicable to the Group, as well as intercompany balances. The intercompany loan between parent and subsidiary is interest free and is repayable on demand. As the subsidiary is profitable and generating cash, there is a very low probability of default. Therefore, the present and current value of the loan will have a marginal difference and the expected loss provision is deemed to be insignificant to the Group.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a 5-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. The Group adopted the new standard on the required effective date of 1 January 2018. The Group has considered the implications and since revenue is derived from financial instruments, no significant impact on the consolidated statement of financial position or statement of comprehensive income has been identified.

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes 2 recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

## 2. Accounting policies (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group has entered into a long-term lease in respect of land and buildings. The Group is currently assessing leases under IFRS 16 and expects an impact as the 'right of use' assets and corresponding lease liabilities will come onto the consolidated statement of financial position for the first time in respect of its current operating leases. Existing operating lease commitments are set in out in Note 27 of the Group's Consolidated Financial Statements.

### Basis of consolidation

#### (i) Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

#### (ii) Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information.

#### (iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. In accordance with IAS 27, the Group recognises any non-controlling interest at the non-controlling interest's proportionate share of the acquiree's net assets on a transaction by transaction basis.

The Group treats transactions with the non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interests the difference between the fair value of consideration paid and the relevant share of net assets acquired is recorded in equity.

### Segment reporting

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker and for which discrete information is available.

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker. Following admission to AIM, the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments, is the board of directors. Prior to the admission to AIM, the chief operating decision-maker was identified as the Chief Executive Officer, who made strategic decisions. The Group has one reporting segment due to the nature of services provided across the whole business being the same.

## 2. Accounting policies (continued)

### Revenue

Spot and forward revenue is recognised when a binding contract is entered into by a client and the rate is fixed and determined. Revenue represents the difference between the rate offered to clients and the rate the Group receives from its banking counterparties. Options revenue is recognised when a binding contract is entered into by a client and the revenue is fixed and determined. Revenue represents the difference between the premiums offered to clients and the premium the Group receives from its banking counterparties.

When the Group enters into a contract with a client, it simultaneously enters into a separate matched contract with its banking counterparty.

### Foreign currency translation

The Group's consolidated historical financial statements are presented in sterling, which is also the parent and subsidiary companies functional currency.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

### Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. Financial instruments are derecognised when all de-recognition criteria of IAS 39 are met and the Group no longer controls the contractual rights that comprise the financial instrument. This is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third-party.

#### Financial assets

##### *Classification*

The Group classifies its financial assets as either fair value through income statement, or as loans and receivables. Management determines the classification of its financial assets at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions. The treatment of these is outlined in the policy below.

**2. Accounting policies (continued)***Financial assets at fair value through income statement*

Financial assets at fair value through income statement include financial assets designated upon initial recognition at fair value through income statement. Derivatives are also categorised as financial assets designated upon initial recognition at fair value through income statement because they are not designated as hedges. Assets in this category are classified as current assets as they are expected to be settled within 12 months. Financial assets at fair value through income statement are initially recognised at fair value, including directly attributable transaction costs. Subsequent changes in fair value are recognised directly in the statement of comprehensive income.

*Impairment of financial assets*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect amounts due as a result of non-performance under agreed terms. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

**Financial liabilities***Classification*

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost including directly attributable transaction costs. The Group's financial liabilities include derivative financial liabilities, overdrafts, trade and other payables, and loans received from shareholders.

*De-recognition of liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

*Offsetting financial instruments*

When there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, financial assets and liabilities are offset and the net amount reported in the balance sheet.

**Derivative financial instruments**

Derivative financial assets are carried as assets when their fair value is positive and liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the consolidated statement of comprehensive income. The Group's derivative financial assets and liabilities at fair value through income statement comprise of forward foreign exchange contracts and options.

The Group undertakes matched principal broking involving simultaneous back-to-back derivative transactions with counterparties. These transactions are classified as financial instruments at fair value through the income statement and are shown gross, except where a netting agreement, which is legally enforceable, exists and the intention is for the asset and liability to be settled net.

## 2. Accounting policies (continued)

Credit valuation adjustment ("CVA") reflects the credit risk of the counterparties inherent in the valuation of the derivative financial instruments. The adjustment represents the estimated fair value of protection required to hedge the counterparty credit risk. The adjustment takes into account counterparty exposure, applicable collateral arrangement and default probability rates.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held at call with banks. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Other payables

Other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

### Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value disclosures for financial instruments are provided in Note 16.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the inputs into the valuations and the level of the fair value hierarchy as explained above.

### Taxes

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

**2. Accounting policies (continued)***Deferred income tax*

Deferred income tax is provided on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**Employee benefits***Pension obligations*

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the consolidated statement of comprehensive income. Discretionary contributions are occasionally made to Director's defined benefit pension plans.

*Share-based payments*

The Group issues equity-settled share-based payments to certain senior executives of the Group through the Growth Share Scheme and unapproved options scheme. Equity-settled share-based schemes are measured at fair value, excluding the effect of non-market-based vesting conditions, at the date of grant using an appropriate option pricing model. The Growth Shares Scheme has been valued using a Monte Carlo Simulation Approach due to the existence of market based conditions.

Non-market-based conditions exist over revenue based targets which require management to estimate the probability of meeting these conditions. The unapproved options scheme has been valued using a Black Scholes option pricing model as only a service based condition exists. Both schemes require the estimation of appropriate attrition rates to estimate the number of share options which are likely to vest.

The fair value of the shares or share options is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the income statement.

**Property, plant and equipment***Owned assets*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

*Depreciation*

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation. The estimated useful lives of property, plant and equipment are as follows:

|                          |   |                            |
|--------------------------|---|----------------------------|
| Improvements to property | - | Period of lease            |
| Fixtures and fittings    | - | 4 to 5 years straight-line |
| Computer equipment       | - | 3 years straight-line      |

The residual values and useful lives are reviewed by the Directors and adjusted if appropriate at the end of each reporting period.

## 2. Accounting policies (continued)

### Intangible assets

Intangible assets consist of internally developed software. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the development
- That it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the development
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

Internally developed software costs are amortised over the useful life of the asset on a straight-line basis over 3 years being the period of expected future benefit. Amortisation is recorded in operating expenses.

During the period of development, the asset is tested annually for impairment.

### Impairment of non-financial assets

Assets that are subject to 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.

### Share capital

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

### Operating leases

The costs associated with operating leases are taken to the statement of comprehensive income on an accruals basis over the period of the lease. Rental payable under operating leases is charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The benefit of lease incentives is spread on a straight line basis over the lease term.

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured based on the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

An onerous property provision is recognised and measured as a provision when the Group has a present obligation arising under a property related contract. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it.

### 3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. In the process of applying the Group's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

#### Estimates

##### Impairment of financial assets

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. In order to calculate the present value of the future expected cash flows, management must make an estimate of expected future cash flows and apply an appropriate discount factor, estimated using the latest market information.

#### Judgements

##### Development costs

Development costs that are directly attributable to the development of a project are capitalised based on management's assessment of the likelihood of a successful outcome for each project. This is based on the management's judgement that the project is technologically, commercially and economically feasible in accordance with IAS 38 Intangible Assets. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Details of capitalised development costs are shown in note 11.

##### Onerous lease

As described in note 2 (provisions), onerous lease provisions are recognised for estimated losses on leases where the forecast costs of fulfilling the lease throughout the contracted period exceed the forecast income receivable. The provision is calculated based on present value of the estimated obligations under a lease where the unavoidable costs of the lease exceed the economic benefit expected to be received from it.

##### Credit value adjustment

The credit value adjustment has been calculated by management based on the assumption that the Group will be unable to collect all the amounts due under the terms receivable, and therefore, is a method of counterparty credit risk management. The amount of the adjustment represents the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivables. In order to calculate the present value of the future expected cash flows, management must make an estimate of expected future cash flows, using the latest real-time market information, risk ratings of the clients and experience.

##### Share-based payments

As described in note 2 (share-based payments), equity settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity settled growth shares scheme and unapproved share options are estimated through the use of option valuation models which require an element of judgement in assessing the inputs. Judgement is also exercised in assessing the number of options subject to non-market vesting conditions that will vest.

**3. Significant accounting estimates and judgements (continued)****Fair value of equity consideration on share for share exchange**

In the year ended 31 December 2016 the remaining 13.3% non-controlling interest in Alpha FX Limited was purchased through the issue of equity in the Company. The fair value of the shares issued was determined based on a multiple of post-tax income. A non-controlling discount to the overall equity value was applied to arrive at a best estimate of the fair value of this consideration.

**4. Segmental reporting**

During the year the Group generated revenue from the sale of forward currency contracts, foreign exchange spot transactions and option contracts. The revenue attributable to the sale of these products is shown below:

|                                    | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------------|--------------------------|--------------------------|
| Foreign exchange spot transactions | 1,251,568                | 1,267,473                |
| Foreign currency forward contracts | 12,112,099               | 7,207,951                |
| Option contracts                   | 179,465                  | -                        |
|                                    | 13,543,132               | 8,475,424                |

During the year ended 31 December 2017 revenue totalling £752,888 (2016: £17,186) arose from customers based outside the United Kingdom. All other revenue arose from customers based in the United Kingdom. In 2017 one customer contributed 5% of the Group's revenue (2016 – 11%). All non-current assets of the Group are domiciled in the United Kingdom.

**5. Operating profit**

Operating profit is stated after charging/(crediting):

|                                                                           | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------------------------------|--------------------------|--------------------------|
| Operating lease rentals                                                   | 284,007                  | 101,547                  |
| Depreciation of owned property, plant and equipment                       | 74,590                   | 54,724                   |
| Amortisation of internally generated intangible assets                    | 26,316                   | 1,979                    |
| Loss on disposal of fixed assets                                          | 25,507                   | -                        |
| Provisions (note 24)                                                      | 190,000                  | -                        |
| <i>Audit fees</i>                                                         |                          |                          |
| Audit fees in respect of the parent and consolidated financial statements | 11,000                   | 5,000                    |
| Audit fees in respect of the subsidiary accounts                          | 30,000                   | 25,000                   |
| <i>Non-Audit fees</i>                                                     |                          |                          |
| Corporate finance fees                                                    | 156,700                  | -                        |
| Other assurance services                                                  | 9,500                    | -                        |
| Tax Advisory                                                              | 1,950                    | -                        |
| Staff costs (note 7)                                                      | 5,128,058                | 2,525,570                |
| Net foreign exchange (gains)/losses                                       | (56,002)                 | 133,299                  |
| IPO costs                                                                 | 612,873                  | -                        |

Other costs include business related expenses including premises and IT related costs.

**6. Finance income and expenses**

|                                          | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------------------|--------------------------|--------------------------|
| <b>Finance income</b>                    |                          |                          |
| Interest on bank deposits                | 25,110                   | -                        |
|                                          | 25,110                   | -                        |
| <b>Finance costs</b>                     |                          |                          |
| Interest payable on loans and borrowings | 32,626                   | 43,804                   |
| Other interest payable                   | -                        | 1,360                    |
|                                          | 32,626                   | 45,164                   |

**7. Employee costs**

Staff costs, including directors' remuneration, were as follows:

|                                                              | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Wages and salaries                                           | 4,066,677                | 2,227,634                |
| Social security costs                                        | 531,279                  | 297,936                  |
| Share-based payment charge                                   | 511,332                  | -                        |
| Other pension costs                                          | 18,770                   | -                        |
| <b>Employee benefit expense included in operating profit</b> | <b>5,128,058</b>         | <b>2,525,570</b>         |

The share-based payment charge includes employer's national insurance amounting to £28,960 relating to an unapproved option scheme.

The average number of employees, including directors, was as follows:

|                                         | 31 December<br>2017<br>No. | 31 December<br>2016<br>No. |
|-----------------------------------------|----------------------------|----------------------------|
| Directors                               | 4                          | 5                          |
| Sales, administration and support staff | 39                         | 21                         |
|                                         | 43                         | 26                         |

**Directors' remuneration**

|                                                   | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------|--------------------------|--------------------------|
| Aggregate Directors' emoluments                   | 427,366                  | 513,830                  |
| Aggregate Directors' pension scheme contributions | 359                      | -                        |
| <b>Total</b>                                      | <b>427,725</b>           | <b>513,830</b>           |

During 2017 retirement benefits were accruing to 1 director (2016: no directors) in respect of defined contribution pension schemes.

**7. Employee costs (continued)**

The highest paid director received remuneration in 2017 of £250,000 (2016: £200,466). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £359 in 2017 (2016: £nil).

**8. Taxation****Tax charge**

|                                                      | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------------------------------|--------------------------|--------------------------|
| <b>Current tax:</b>                                  |                          |                          |
| UK Corporation tax charge on the profit for the year | 1,244,693                | 866,576                  |
| Adjustments relating to prior years                  | (7,854)                  | -                        |
| <b>Total current tax</b>                             | <b>1,236,839</b>         | <b>866,576</b>           |
| <b>Deferred tax</b>                                  |                          |                          |
| Origination and reversal of temporary differences    | (19,556)                 | (2,584)                  |
| Adjustments relating to prior years                  | 8,649                    | -                        |
| <b>Total deferred tax</b>                            | <b>(10,907)</b>          |                          |
| <b>Total tax expense</b>                             | <b>1,225,932</b>         | <b>863,992</b>           |

**Factors affecting tax charge for the year**

|                                                                                                                     | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Profit on ordinary activities before tax                                                                            | 5,622,168                | 4,313,085                |
| Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19.25% (2016: 20%) | 1,082,267                | 862,617                  |
| Effects of:                                                                                                         |                          |                          |
| Expenses not deductible for tax purposes                                                                            | 183,010                  | 1,375                    |
| Deferred tax relating to share-based payments                                                                       | (39,873)                 | -                        |
| Adjustments relating to prior years                                                                                 | 795                      | -                        |
| Adjust closing deferred tax in respect of change in future rate of taxation                                         | (267)                    | -                        |
| <b>Total tax charge for the year</b>                                                                                | <b>1,225,932</b>         | <b>863,992</b>           |

**Deferred tax**

The deferred taxation liability at a tax rate of 19% (2016: 19%) comprises the following:

|                                     | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-------------------------------------|--------------------------|--------------------------|
| <b>(Liabilities)/assets</b>         |                          |                          |
| At 1 January                        | (31,488)                 | (34,072)                 |
| Tax credit relating to current year | 19,556                   | 2,584                    |
| Tax (charge) relating to prior year | (8,649)                  | -                        |
| <b>Total deferred tax liability</b> | <b>(20,581)</b>          | <b>(31,488)</b>          |

**8. Taxation (continued)**

The Finance Act 2015 set the main rate of UK corporation tax at 20% with effect from April 2015. The enactment of the Finance (No.2) Act 2015 and Finance Act 2016 reduces the main rate of corporation tax to 19% from April 2017 and 17% from April 2020.

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

|                                     | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-------------------------------------|--------------------------|--------------------------|
| Fixed asset differences             | (60,454)                 | (31,488)                 |
| Share-based payments                | 39,873                   | -                        |
| <b>Total deferred tax liability</b> | <b>(20,581)</b>          | <b>(31,488)</b>          |

**9. Earnings per share**

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent, by the weighted average number of ordinary shares during the year. Diluted earnings per share additionally includes in the calculation, the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares.

The Group additionally discloses an underlying earnings per share calculation that excludes the impact of the one-off costs relating to the IPO and their tax effect and share-based payments, which better enables comparison of financial performance in the current year with comparative years.

|                            | 31 December<br>2017<br>pence | 31 December<br>2016<br>pence |
|----------------------------|------------------------------|------------------------------|
| Underlying – basic         | 17.5p                        | 13.4p                        |
| Underlying – diluted       | 17.2p                        | 13.4p                        |
| Basic earnings per share   | 14.2p                        | 13.4p                        |
| Diluted earnings per share | 13.9p                        | 13.4p                        |

The calculation of basic and diluted earnings per share is based on the following number of shares:

|                                        | 31 December<br>2017<br>No. | 31 December<br>2016<br>No. |
|----------------------------------------|----------------------------|----------------------------|
| Basic weighted average shares          | 31,017,500                 | 21,983,764                 |
| Contingently issuable shares           | 566,714                    | -                          |
| <b>Diluted weighted average shares</b> | <b>31,584,214</b>          | <b>21,983,764</b>          |

As disclosed in note 20, in 2017 there was a bonus issue of shares which were converted from £1 shares into shares of 0.002p each, prior to the IPO. The effect of this has been backdated to 1 January 2016, impacting the basic weighted average shares for 31 December 2016.

**9. Earnings per share (continued)**

The earnings used in the calculation of basic, diluted and underlying earnings per share are set out below:

|                                                   | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------|--------------------------|--------------------------|
| Profit after tax for the year                     | 4,396,236                | 3,449,093                |
| Non-controlling interests                         | -                        | (509,007)                |
| Earnings – basic and diluted                      | 4,396,236                | 2,940,086                |
| Costs associated with the IPO                     | 612,873                  | -                        |
| Tax effect                                        | (39,944)                 | -                        |
| Share-based payments                              | 511,332                  | -                        |
| Deferred tax asset impact on share-based payments | (39,873)                 | -                        |
| Earnings – underlying                             | 5,440,624                | 2,940,086                |

**10. Dividends**

|                                                                                                   | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Interim dividend for the year ended 31 December 2017<br>of 1.5p per Ordinary Share of £0.002 each | 491,430                  | -                        |
| Interim dividend for the year ended 31 December 2016<br>of £593 per A Ordinary Share of £1 each   | -                        | 510,000                  |
|                                                                                                   | 491,430                  | 510,000                  |

The Directors propose that a final dividend in respect of the year ended 31 December 2017 of 3.4p per share amounting to £1,133,130 will be paid on 16 May 2018 to all shareholders on the register of members on 13 April 2018. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements.

In the year ended 31 December 2016, A Ordinary shareholders waived their rights to dividends over 260 shares and B Ordinary shareholders waived their rights to dividends over 118 shares.

A reconciliation of the movements in share capital for each year is included in note 20.

**11. Intangible assets**

|                            | Internally<br>generated<br>software<br>£ |
|----------------------------|------------------------------------------|
| <b>Cost</b>                |                                          |
| At 1 January 2016          | –                                        |
| Additions                  | 47,500                                   |
| <b>At 31 December 2016</b> | 47,500                                   |
| Additions                  | 105,515                                  |
| <b>At 31 December 2017</b> | 153,015                                  |
| <b>Amortisation</b>        |                                          |
| At 1 January 2016          | –                                        |
| Charge for the year        | 1,979                                    |
| <b>At 31 December 2016</b> | 1,979                                    |
| Charge for year            | 26,316                                   |
| <b>At 31 December 2017</b> | 28,295                                   |
| <b>Net book value</b>      |                                          |
| At 31 December 2016        | 45,521                                   |
| <b>At 31 December 2017</b> | 124,720                                  |

**12. Property, plant and equipment**

|                            | Leasehold<br>improvements<br>£ | Fixtures &<br>fittings<br>£ | Computer<br>equipment<br>£ | Total<br>£ |
|----------------------------|--------------------------------|-----------------------------|----------------------------|------------|
| <b>Cost</b>                |                                |                             |                            |            |
| At 1 January 2016          | 17,139                         | 319,389                     | 72,138                     | 408,666    |
| Additions                  | 2,811                          | 26,975                      | 13,175                     | 42,961     |
| Disposals                  | (14,083)                       | (85,057)                    | (37,156)                   | (136,296)  |
| <b>At 31 December 2016</b> | 5,867                          | 261,307                     | 48,157                     | 315,331    |
| Additions                  | 2,148                          | 68,866                      | 56,817                     | 127,831    |
| Disposals                  | (8,015)                        | (44,117)                    | –                          | (52,132)   |
| <b>At 31 December 2017</b> | –                              | 286,056                     | 104,974                    | 391,030    |
| <b>Depreciation</b>        |                                |                             |                            |            |
| At 1 January 2016          | 14,731                         | 149,517                     | 63,365                     | 227,613    |
| Charge for the year        | 1,654                          | 45,833                      | 7,237                      | 54,724     |
| Disposals                  | (14,083)                       | (85,058)                    | (37,156)                   | (136,297)  |
| <b>At 31 December 2016</b> | 2,302                          | 110,292                     | 33,446                     | 146,040    |
| Charge for the year        | 1,474                          | 55,057                      | 18,059                     | 74,590     |
| Disposals                  | (3,776)                        | (22,849)                    | –                          | (26,625)   |
| <b>At 31 December 2017</b> | –                              | 142,500                     | 51,505                     | 194,005    |
| <b>Net book value</b>      |                                |                             |                            |            |
| At 31 December 2016        | 3,565                          | 151,015                     | 14,711                     | 169,291    |
| <b>At 31 December 2017</b> | –                              | 143,556                     | 53,469                     | 197,025    |

No assets were held under finance leases during the years ended 31 December 2017 or 31 December 2016.

**13. Subsidiaries**

Details of the subsidiaries in which the Company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital are as follows:

| Name             | Incorporated in<br>England and Wales                                                      | % voting interest |      | Nature of business                        |
|------------------|-------------------------------------------------------------------------------------------|-------------------|------|-------------------------------------------|
|                  |                                                                                           | 2016              | 2017 |                                           |
| Alpha FX Limited | Registered office address is:<br>2 Eastbourne Terrace,<br>Paddington,<br>London<br>W2 6LG | 100%              | 100% | Provision of foreign exchange<br>services |

Alpha FX Limited is the principal trading entity of the Group. In the year ended 31 December 2017, Alpha FX Limited issued certain employees with a new class of share ("B Shares"). These non-voting shares confer no upfront economic rights to their holders and are not entitled to receive dividends. As a result, Alpha FX Limited remains a 100% subsidiary of the Group.

In the year ended 31 December 2016, the Group purchased the remaining 35% of the issued share capital in Alpha FX Limited, increasing its holding in the subsidiary undertaking to 100%. Further details of this transaction can be found in note 21.

**14. Derivative financial assets and financial liabilities**

| Derivative financial assets not<br>designated as hedging instruments         | 31 December 2017 |                            | 31 December 2016 |                            |
|------------------------------------------------------------------------------|------------------|----------------------------|------------------|----------------------------|
|                                                                              | Fair value<br>£  | Notional<br>principal<br>£ | Fair value<br>£  | Notional<br>principal<br>£ |
| Foreign currency forward<br>and option contracts with customers              | 16,522,153       | 476,489,449                | 15,549,510       | 236,852,650                |
| Foreign currency forward and option<br>contracts with banking counterparties | 23,814           | 7,928,174                  | 124,107          | 4,832,156                  |
| Other foreign exchange<br>forward contracts                                  | 4,529            | 1,900,442                  | -                | -                          |
|                                                                              | 16,550,496       | 486,318,065                | 15,673,617       | 241,684,806                |

Foreign currency forward contracts with customers generally require immediate settlement on the value date of the individual contract.

| Derivative financial liabilities not<br>designated as hedging instruments    | 31 December 2017 |                            | 31 December 2016 |                            |
|------------------------------------------------------------------------------|------------------|----------------------------|------------------|----------------------------|
|                                                                              | Fair value<br>£  | Notional<br>principal<br>£ | Fair value<br>£  | Notional<br>principal<br>£ |
| Foreign currency forward<br>and option contracts with customers              | 3,763,136        | 181,899,686                | 7,463,047        | 166,420,722                |
| Foreign currency forward and option<br>contracts with banking counterparties | 401,800          | 97,688,207                 | -                | -                          |
| Other foreign exchange<br>forward contracts                                  | -                | -                          | 22,250           | 1,077,697                  |
|                                                                              | 4,164,936        | 279,587,893                | 7,485,297        | 167,498,419                |

**14. Derivative financial assets and financial liabilities (continued)**

Derivatives not designated as hedging instruments are intended to reduce the level of foreign currency risk for expected future cash flows. The tables above show the fair value of those foreign exchange forward contracts as at each year end.

Forward foreign exchange contracts and options fall into level 2 of the fair value hierarchy as set out in note 2. Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). The fair value of forward foreign exchange contracts is measured using observable forward exchange rates for contracts with a similar maturity at the reporting date. The fair value of option foreign exchange contracts is measured using an industry standard external model that best presents the unpublished interbank valuations.

There were no transfers between level 1 and 2 during the current or prior year.

**15. Financial instruments**

The principal financial instruments of the Group, from which financial instrument risk arises, are as follows:

|                                                                              | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>a) Financial assets per balance sheet</b>                                 |                          |                          |
| <b>Derivatives not designated as hedging instruments</b>                     |                          |                          |
| Foreign currency forward and option contracts with customers                 | 16,522,153               | 15,549,510               |
| Foreign currency forward and option contracts<br>with banking counterparties | 23,814                   | 124,107                  |
| Other foreign exchange forward contracts                                     | 4,529                    | -                        |
| <b>Total derivatives not designated as hedging instruments</b>               | <b>16,550,496</b>        | <b>15,673,617</b>        |
| <b>Loans and receivables</b>                                                 |                          |                          |
| Other receivables excluding prepayments                                      | 168,224                  | 1,533                    |
| Cash and cash equivalents                                                    | 13,073,132               | 7,963,625                |
| Other cash balances                                                          | 1,571,475                | 1,921,264                |
| <b>Total loans and receivables</b>                                           | <b>14,812,831</b>        | <b>9,886,422</b>         |
| <b>Total financial assets</b>                                                | <b>31,363,327</b>        | <b>25,560,039</b>        |

**15. Financial instruments (continued)**

|                                                                           | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>b) Financial liabilities per balance sheet</b>                         |                          |                          |
| <b>Derivatives not designated as hedging instruments</b>                  |                          |                          |
| Foreign currency forward and option contracts with customers              | 3,763,136                | 7,463,047                |
| Foreign currency forward and option contracts with banking counterparties | 401,800                  | -                        |
| Other foreign exchange forward contracts                                  | -                        | 22,250                   |
| <b>Total derivatives not designated as hedging instruments</b>            | <b>4,164,936</b>         | <b>7,485,297</b>         |
| <b>Other payables measured at amortised cost</b>                          |                          |                          |
| Other payables and accruals                                               | 4,406,745                | 10,125,290               |
| <b>Total other payables</b>                                               | <b>4,406,745</b>         | <b>10,125,290</b>        |
| <b>Interest-bearing loans and borrowings measured at amortised cost</b>   |                          |                          |
| Shareholder loans                                                         | -                        | 1,369,425                |
| Bank overdrafts                                                           | -                        | 382,357                  |
| <b>Total interest-bearing loans and borrowings</b>                        | <b>-</b>                 | <b>1,751,782</b>         |
| <b>Total financial liabilities</b>                                        | <b>8,571,681</b>         | <b>19,362,369</b>        |

**c) Offsetting financial assets and financial liabilities**

Financial instruments at fair value through profit and loss represent simultaneous back-to-back derivative transactions with banking counterparties and are reported as separate financial assets and financial liabilities in the statement of financial position. The transactions are subject to ISDA (International Swaps and Derivatives Association) Master Netting Agreements which provide a legally enforceable right of in the normal course of business, the event of a default and the event of insolvency or bankruptcy.

Amounts subject to enforceable netting arrangements

|                                  | Gross<br>fair<br>value | Variation<br>margin<br>offset | Fair<br>value<br>Offset | Net<br>derivative<br>financial<br>asset/<br>(liability)<br>(Note 14) | Other<br>cash<br>balances |
|----------------------------------|------------------------|-------------------------------|-------------------------|----------------------------------------------------------------------|---------------------------|
| 2017                             |                        |                               |                         |                                                                      |                           |
| Derivative financial assets      | 22,618,131             | -                             | (6,067,635)             | 16,550,496                                                           | 1,571,475                 |
| Derivative financial liabilities | (13,749,382)           | 3,516,811                     | 6,067,635               | (4,164,936)                                                          | -                         |

Amounts subject to enforceable netting arrangements

|                                  | Gross<br>fair<br>value | Variation<br>margin<br>offset | Fair<br>value<br>Offset | Net<br>derivative<br>financial<br>asset/<br>(liability)<br>(Note 14) | Other<br>cash<br>balances |
|----------------------------------|------------------------|-------------------------------|-------------------------|----------------------------------------------------------------------|---------------------------|
| 2016                             |                        |                               |                         |                                                                      |                           |
| Derivative financial assets      | 23,078,182             | -                             | (7,404,565)             | 15,673,617                                                           | 1,921,264                 |
| Derivative financial liabilities | (19,231,682)           | 4,341,820                     | 7,404,565               | (7,485,297)                                                          | -                         |

## 16. Fair value

Management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables as well as other current liabilities approximated to their carrying amounts. This was due to the short-term maturities of these instruments.

The fair values of the Group's interest-bearing loans and borrowings are determined by discounting the cash flow using a market rate of interest that reflects the issuer's borrowing rate as at the end of the reporting period which approximate their carrying amounts.

Management is of the opinion that the fair value of loans and borrowings approximates to their carrying values as these are subject to interest rates, which are comparable to open market rates.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

All loans are classed as Level 2 in the fair value hierarchy.

## 17. Financial risk management

The Group's current activities result in the following financial risks and the management response to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

### **Objectives, policies and processes for managing risk and the methods used to measure the risk**

Financial assets principally comprise trade and other receivables, cash and cash equivalents, other cash balances and derivative financial assets. Financial liabilities comprise trade and other payables, shareholder loans and derivative financial liabilities. The main risks arising from financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk, each of which is discussed in further detail below.

The Group monitors and mitigates financial risk on a consolidated basis. The Group has implemented a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The Group has a robust 'three-lines of defence' risk and compliance framework covering all operational and compliance activities. This framework is overseen and enforced by the Director of Risk & Compliance, who has extensive experience overseeing risk and compliance within a number of reputable financial services firms. As part of this framework the Group has a Risk Committee, whose membership consists of directors responsible for each risk category.

### **Credit risk**

Credit risk is the risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract leading to a financial loss. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets arises from derivative financial instruments, represented by the carrying value as at the balance sheet date. The Group evaluated the concentration of risk as low with respect to derivative financial assets arising from contracts with counterparties. This is due to the fact that no single customer represents a significant proportion of the total value of customer contracts and the business has historically low levels of counterparty default.

**17. Financial risk management (continued)**

Where the Group provides credit to counterparties, this is subject to credit verification checks. The Group's counterparties are reviewed at least annually and are subject to an on-going credit review process by the Risk and Compliance team. Counterparty exposures are monitored in real time. Daily stress tests are carried out to assess and minimise client credit risk exposures under various market volatility scenarios.

Credit risk is minimised by the operation of matched derivative transactions, whereby derivatives sold to customers are then matched on a back-to-back basis with an offsetting derivative from a banking counterparty. Derivatives are entered into with banking counterparties, which minimises credit risk further, as the Group is only exposed to the net position of its derivative assets and liabilities and this position is collateralised on a daily basis. The Group's maximum exposure to credit risk is illustrated in the financial assets table in note 15.

**Liquidity risk**

The Group is exposed to liquidity risk, namely that it may be unable to meet its payment obligations as they fall due. Extensive controls are in place to ensure that this liquidity risk is mitigated. The Group's liquidity requirements are constantly reviewed, and the Group employs stress testing to model the sufficiency of its liquidity in stressed market scenarios. Clients' ability to pay margin and settle contracts is monitored in real-time, with automated triggers and alerts configured into the Group's systems. The Group maintains cash reserves and continues to increase these reserves relative to its trading activity on an on-going basis.

It is the Board's responsibility to set appropriate limits to the liquidity risk of the Group, as well as ensuring that a strong system of internal controls is implemented and enforced, whilst the daily management of liquidity risk rests with the Head of Product and Liquidity Risk (overseen by its CFO). The Group manages its liquidity on a trade by trade basis, rejecting any trade that has the potential to harm its liquidity and maintains robust margin terms with its clients that require them to deposit margin if their forward contracts adversely deviate in fair value. The Group also attempts to ensure it maintains (as closely as is possible) a balanced position in each currency, with regular stress testing of its net long or short in a particular currency against sudden and unforeseen market movements ("Black Swan Events").

The Head of Product and Liquidity Risk is responsible for implementing and monitoring the relevant controls, and for providing the CFO with timely and accurate reporting on the Group's liquidity position and financial performance (e.g. budget against actual). In conjunction with the CFO, they are also responsible for ensuring the Group has capital and liquidity resources, in sufficient amount and quality, to meet its liabilities as they fall due and to support its growth and strategic objectives.

The Group has sufficient cash resources (alongside additional borrowing facilities with its banking partner) to pay its debts and contractual liabilities as they fall due. Consequently, management does not believe that the Group has a material exposure to liquidity risk.

**17. Financial risk management (continued)**

The table below summarises the maturity profile of the Group's derivative financial liabilities arising from forward currency contracts with customers based on contractual (undiscounted) payments.

**Derivative liabilities - forward currency contracts with customers**

| 2017          |         | Total         | 0-3 months   | 3-6 months   | 6-12 months  | 12 Months+   |
|---------------|---------|---------------|--------------|--------------|--------------|--------------|
| Buy currency  | Inflow  | 389,594,217   | 154,881,032  | 107,206,528  | 121,759,466  | 5,745,293    |
| Sell currency | Outflow | (226,686,829) | (57,865,893) | (57,010,126) | (66,859,416) | (44,951,393) |
| <b>Netted</b> |         | 162,907,388   | 97,015,139   | 50,196,402   | 54,900,050   | (39,206,100) |

| 2016          |         | Total         | 0-3 months   | 3-6 months   | 6-12 months  | 12 Months+   |
|---------------|---------|---------------|--------------|--------------|--------------|--------------|
| Buy currency  | Inflow  | 227,271,362   | 96,388,681   | 53,875,309   | 69,745,357   | 7,262,015    |
| Sell currency | Outflow | (176,002,010) | (46,146,253) | (40,257,367) | (47,126,088) | (42,472,302) |
| <b>Netted</b> |         | 51,269,352    | 50,242,428   | 13,617,942   | 22,619,269   | (35,210,287) |

**Derivative liabilities - forward currency contracts with brokers**

|             |               | Total         | 0-3 months   | 3-6 months   | 6-12 months  | 12 Months+   |
|-------------|---------------|---------------|--------------|--------------|--------------|--------------|
| <b>2017</b> | <b>Netted</b> | (153,174,015) | (94,359,755) | (48,398,416) | (52,078,606) | (41,662,761) |
| <b>2016</b> | <b>Netted</b> | (46,829,389)  | (49,731,827) | (12,552,170) | (20,809,628) | 36,264,236   |

The table below summarises the maturity profile of the Group's other financial liabilities based on contractual (undiscounted) payments.

**Other liabilities**

| At 31 December 2017         |  | Total     | On demand | Up to 1 year | 1-2 years | 2-5 years |
|-----------------------------|--|-----------|-----------|--------------|-----------|-----------|
| Other payables and accruals |  | 4,665,575 | -         | 4,665,575    | -         | -         |
|                             |  | 4,665,575 | -         | 4,665,575    | -         | -         |

| At 31 December 2016                  |  | Total      | On demand | Up to 1 year | 1-2 years | 2-5 years |
|--------------------------------------|--|------------|-----------|--------------|-----------|-----------|
| Loans and borrowings                 |  | 1,751,782  | 1,381,282 | -            | 66,500    | 304,000   |
| Interest due on loans and borrowings |  | 135,617    | -         | 58,946       | 33,471    | 43,200    |
| Other payables and accruals          |  | 10,341,596 | -         | 10,341,596   | -         | -         |
|                                      |  | 12,228,995 | 1,381,282 | 10,400,542   | 99,971    | 347,200   |

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest-bearing financial assets and liabilities used by the Group. Interest-bearing assets comprise cash and cash equivalents which are considered to be short term liquid assets. It is the Group's policy to settle derivative financial liabilities arising from contracts with customers (included within trade payables) and other payables within the credit terms allowed and the Group does not therefore incur interest on overdue balances.

All borrowings are subject to fixed interest rates until maturity. The £300,000 overdraft facility is subject to floating interest at 4.75% above the Bank of England base rate. A change in interest rates would not directly have a material impact on profit or equity and therefore a sensitivity analysis for the impact of interest rate changes has not been disclosed.

**17. Financial risk management (continued)****Foreign currency risk**

Foreign currency risk refers to the risk that non-sterling revenue earned on a transaction may fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk on revenue and cash holdings that are denominated in a currency other than sterling. The principal currencies giving rise to this risk vary each year depending on the currency of transactions undertaken by the Group. Details of the foreign currency cash balances can be found in note 19.

The Group manages its exposure to currency movements in line with its Treasury Policy. Client money received in a foreign currency is deposited in a bank account of the same currency to provide a natural hedge. The Group reduces its exposure to foreign exchange by retranslating excess cash in foreign currencies into sterling on a regular basis. The Group hedges a proportion of its unrealised profits through foreign exchange contracts designated as at fair value through profit and loss.

**Foreign currency risk – sensitivity analysis**

The Group's principal recurring foreign currency transactions are in Euros. Other foreign currency transactions that occur in other currencies including US Dollar and Australian Dollar, are ad-hoc in nature with foreign currency balances being held for short periods of time, resulting in minimal risk to the business. The Group has therefore considered the sensitivity to movements in the Sterling/Euro exchange rate by considering the impact on those revenues, costs and assets denominated in Euros as experienced in the given period.

| Year ended 31 December                     | Impact on profit after tax |           | Impact on equity |           |
|--------------------------------------------|----------------------------|-----------|------------------|-----------|
|                                            | 2017                       | 2016      | 2017             | 2016      |
| 10% weakening in the £/€ exchange rate     | 324,283                    | 334,328   | 324,283          | 334,328   |
| 10% strengthening in the £/€ exchange rate | (265,322)                  | (273,541) | (265,322)        | (273,541) |

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement. When applied to the closing sterling/euro exchange rate of €1.1249/£ (2016: €1.169) this would result in a weakened exchange rate of €1.0124/£ (2016: €1.0521) and a strengthened exchange rate of €1.2374/£ (2016: €1.2859/£).

**Management of capital**

The Group's objectives when managing capital are to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern.

The Group's policy is to maintain a capital base and funding structure that maintains creditor, regulator and market confidence and provides flexibility for business development whilst also optimising returns to shareholders.

The entity monitors its total capital as its total equity as shown in the statement of financial position. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the dividends paid to shareholders.

**18. Trade and other receivables**

|                                                           | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Trade receivables (derivative financial assets – note 14) | 16,550,496               | 15,673,617               |
| Other receivables                                         | 168,224                  | 1,533                    |
| Prepayments                                               | 105,791                  | 117,324                  |
|                                                           | 16,824,511               | 15,792,474               |

Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions (note 14).

At 31 December 2017 and 31 December 2016 none of the receivables shown above were past due or impaired.

**19. Cash**

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

Other cash balances comprise cash held as collateral with banking counterparties for which the Group does not have immediate access.

Cash balances included within derivative financial assets relate to the variation margin called against out of the money trades with banking counterparties.

|                                                      | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------------------------------|--------------------------|--------------------------|
| Cash and cash equivalents                            | 13,073,132               | 7,963,625                |
| Bank overdraft (note 22)                             | -                        | (382,357)                |
| <b>Net cash and cash equivalents</b>                 | 13,073,132               | 7,581,268                |
| Variation margin called by counterparties (note 14c) | 3,516,811                | 4,341,820                |
| Other cash balances                                  | 1,571,475                | 1,921,264                |
| <b>Total cash</b>                                    | 18,161,418               | 13,844,352               |

Cash at bank earns interest at floating rates based on daily bank deposit rates and is made up of the following currency balances:

|                    | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|--------------------|--------------------------|--------------------------|
| British Pound      | 15,197,409               | 10,661,896               |
| Euro               | 2,346,492                | 2,008,039                |
| US Dollar          | 514,290                  | 937,163                  |
| Australian Dollar  | 86,675                   | 26,459                   |
| South African Rand | 102                      | 191,145                  |
| Other currencies   | 16,450                   | 19,650                   |
|                    | 18,161,418               | 13,844,352               |

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

**19. Cash (continued)**

All changes in financial liabilities arising from financing activities are due to cash flow movements and are shown in the Consolidated Cash Flow Statement within cash flow from financing activities.

**20. Capital and reserves****Share capital**

|                                          | As at 31 December<br>2017 |        | As at 31 December<br>2016 |       |
|------------------------------------------|---------------------------|--------|---------------------------|-------|
|                                          | Number                    | £      | Number                    | £     |
| <b>Authorised, issued and fully paid</b> |                           |        |                           |       |
| Ordinary shares of £0.002 each           | 32,761,979                | 65,524 | -                         | -     |
| Ordinary 'A' shares of £1 each           | -                         | -      | 860                       | 860   |
| Ordinary 'B' shares of £1 each           | -                         | -      | 118                       | 118   |
| Ordinary 'C' shares of £1 each           | -                         | -      | 31                        | 31    |
| Ordinary 'D' shares of £1 each           | -                         | -      | 109                       | 109   |
|                                          | 32,761,979                | 65,524 | 1,118                     | 1,118 |

|                             | A<br>shares  | B<br>shares | C<br>shares | D<br>shares | Ordinary<br>shares | Deferred<br>shares | Total       |
|-----------------------------|--------------|-------------|-------------|-------------|--------------------|--------------------|-------------|
| At 1 January 2017           |              |             |             |             |                    |                    |             |
| - shares of £1 each         | 75           | 65          | -           | -           | -                  | -                  | 140         |
| Issue of shares             | 760          | 138         | 31          | 109         | -                  | -                  | 1,038       |
| Reclassification            | 65           | (65)        | -           | -           | -                  | -                  | -           |
| Repurchase and cancellation | (40)         | (20)        | -           | -           | -                  | -                  | (60)        |
| <b>At 31 Dec 2016</b>       | 860          | 118         | 31          | 109         | -                  | -                  | 1,118       |
| Bonus issue                 | 42,140       | 5,782       | 1,519       | 5,341       | -                  | -                  | 54,782      |
|                             | 43,000       | 5,900       | 1,550       | 5,450       | -                  | -                  | 55,900      |
| Conversion to £0.002 each   | 21,500,000   | 2,950,000   | 775,000     | 2,725,000   | -                  | -                  | 27,950,000  |
| Re-designation              | (21,500,000) | (2,950,000) | (775,000)   | (2,725,000) | 26,129,326         | 1,820,674          | -           |
| Cancellation of shares      | -            | -           | -           | -           | -                  | (1,820,674)        | (1,820,674) |
| Issue of new shares on IPO  | -            | -           | -           | -           | 6,632,653          | -                  | 6,632,653   |
| <b>At 31 Dec 2017</b>       | -            | -           | -           | -           | 32,761,979         | -                  | 32,761,979  |

The following movements of share capital occurred during the year ended 31 December 2017:

On 24 March 2017, a bonus issues of shares was made for all A, B, C and D shares of 49 additional shares for each share held. On the same date, all shares were converted from ordinary shares of £1 each to ordinary shares of £0.002 each.

On 31 March 2017, all the A and B shares were converted into ordinary shares, the C shares were converted into 371,851 ordinary shares and 403,149 deferred shares and the D shares were converted into 1,307,475 ordinary shares and 1,417,525 deferred shares. On the same date, the 1,820,674 deferred shares were cancelled.

On 7 April 2017, the Company issued 6,632,653 new shares upon admission to the London Stock Exchange.

**20. Capital and reserves (continued)**

The following movements of share capital occurred during the year ended 31 December 2016:

On 12 October 2016, 65 'B' ordinary shares were reallocated as 'A' ordinary shares. On the same day 760 new 'A' ordinary shares and 138 new 'B' ordinary shares with a nominal value of £1 were issued at par. The A shares were issued pro-rata on the basis of existing shareholdings in order to maintain the split of shares between certain shareholders. The 138 'B' shares were issued as consideration for shares repurchased from a non-controlling interest shareholder in Alpha FX Limited.

On 10 November 2016, the Company repurchased and cancelled 40 'A' ordinary shares and 20 'B' ordinary shares. On 14 November 2016, the Company issued 31 'C' Ordinary shares and 109 'D' ordinary shares with a nominal value of £1 were issued at par.

'A' and 'B' ordinary shares carry full voting and dividend rights, as well as rights to returns on capital. 'C' and 'D' shares carry no voting rights and limited rights to returns on capital.

**Share premium account**

The share premium account of £12,237,951 arose on the issue of new shares on 7 April 2017 upon admission to the London Stock Exchange, amounting to £13,000,000, less the directly attributable costs of issuing of the new equity, amounting to £762,049.

**Capital redemption reserve**

The reserve of £3,701 arose following the buy-back of shares in both the year ended 31 December 2016 and the year ended 31 December 2017.

**Merger reserve**

The merger reserve was created in October 2016 as a result of the share for share exchange with non-controlling interests. The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of non-controlling interests, where the Company has taken advantage of merger relief.

**Retained earnings**

Represents all other net gains and losses and transactions not recognised elsewhere.

**21. Transactions with non-controlling interests in prior year**

In the year ended 31 December 2016, the Company repurchased 25% of the issued share capital Alpha FX Limited from a non-controlling interest for a total consideration of £1,000,000. Dividends due to the 25% non-controlling interest were waived at on 31 March 2016. The 60 Ordinary A shares purchased from the non-controlling interest were subsequently cancelled which had the effect of increasing the remaining shareholding of the non-controlling interest from 10% to 13.3%.

In October 2016, the Company repurchased the remaining 13.3% of the issued share capital of Alpha FX Limited at par value of £2,300 from a non-controlling interest. The consideration was satisfied by the issue of 138 shares in the Company at par. The merger reserve represents the difference between fair value of the shares issued by the Company which was assessed to be £666,667 and the nominal value of the shares of £138.

**21. Transactions with non-controlling interests in prior year (continued)**

On 12 October 2016, all remaining dividend liabilities due to non-controlling interests were waived by the receiving parties.

|                                                                                | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|--------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>At 1 January</b>                                                            | -                        | 991,438                  |
| Profit attributable to non-controlling interests                               | -                        | 509,007                  |
| Shares repurchased from non-controlling interest                               | -                        | (1,260,759)              |
| Cancellation of shares in subsidiary                                           | -                        | 31,701                   |
| Shares repurchased from non-controlling interests via share for share exchange | -                        | (839,610)                |
| Waiver by non-controlling interests of dividend liabilities                    | -                        | 568,223                  |
| <b>At 31 December</b>                                                          | -                        | -                        |

In accordance with IFRS 3, an increase in a parent's ownership in a subsidiary is accounted for as an equity transaction. The difference between the cost of acquiring the additional ownership and the increase in the attributable net assets of the subsidiary has been transferred to equity as a retained earnings movement. An amount of £260,759 was credited to retained earnings on the repurchase of a 25% non-controlling interest in March 2016. An amount of £31,701 was charged to retained earnings on the cancellation of shares in the subsidiary in March 2016 and a further £173,081 was credited to retained earnings on the repurchase of a 13.3% non-controlling interest in October 2016. With effect from October 2016 Alpha FX Limited is a wholly-owned subsidiary of the Company. Summarised financial information in relation to the non-controlling interest of Alpha FX Limited, before intra-group eliminations, is given below. At 31 December 2016, there were no assets or liabilities attributable to the non-controlling interest.

|                                                               | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|---------------------------------------------------------------|--------------------------|--------------------------|
| Revenue                                                       | -                        | 1,250,973                |
| Operating costs                                               | -                        | (607,695)                |
| Finance costs                                                 | -                        | (6,666)                  |
| Profit before tax                                             | -                        | 636,612                  |
| Tax                                                           | -                        | (127,605)                |
| <b>Profit and total comprehensive income allocated to NCI</b> | -                        | 509,007                  |
| Cash flows from operating activities                          | -                        | 1,357,564                |
| Cash flows from investing activities                          | -                        | (13,352)                 |
| Cash flows from financing activities                          | -                        | (214,444)                |
| <b>Net cash inflow</b>                                        | -                        | (1,129,768)              |

**22. Loans and borrowings**

Loans and borrowings measured at amortised cost using the effective interest method are detailed below:

|                                               |                                      |               | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-----------------------------------------------|--------------------------------------|---------------|--------------------------|--------------------------|
|                                               | Interest rate                        | Maturity      |                          |                          |
| <b>Current loans and borrowings</b>           |                                      |               |                          |                          |
| £498,925 shareholder loan                     | 5.00%                                | December 2017 | –                        | 498,925                  |
| £500,000 shareholder loan                     | 5.00%                                | June 2020     | –                        | 500,000                  |
| Bank overdraft facility                       | Bank of England<br>base rate + 4.75% | On demand     | –                        | 382,357                  |
| <b>Total current loans and borrowings</b>     |                                      |               | –                        | 1,381,282                |
| <b>Non-current loans and borrowings</b>       |                                      |               |                          |                          |
| £304,000 shareholder loan                     | 1.50%                                | December 2019 | –                        | 304,000                  |
| £66,500 shareholder loan                      | 5.00%                                | October 2018  | –                        | 66,500                   |
| <b>Total non-current loans and borrowings</b> |                                      |               | –                        | 370,500                  |
| <b>Total loans and borrowings</b>             |                                      |               | –                        | 1,751,782                |

All shareholder loans were repaid in the year ended 31 December 2017. The bank overdraft facility at 31 December 2017 was £300,000 (2016: £600,000).

In the year ended 31 December 2016 the shareholder loan maturing in June 2020 was classified as a current liability because it was repayable to the lender on demand. Other loan amounts classified as current liabilities were those facilities either repayable in full, or in part, within the following 12 months. All loans were unsecured.

**23. Trade and other payables**

|                                                             | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-------------------------------------------------------------|--------------------------|--------------------------|
| Trade payables (derivative financial liabilities – note 14) | 4,164,936                | 7,485,297                |
| Other payables                                              | 4,036,101                | 9,771,807                |
| Other taxation and social security                          | 258,830                  | 216,306                  |
| Accruals and deferred income                                | 370,644                  | 353,483                  |
|                                                             | 8,830,511                | 17,826,893               |

Trade payables represent the fair value of derivative financial liabilities arising as a result of matched principal transactions (note 14).

Other payables consist of margin received from clients and client held funds. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost, approximates fair value.

**24. Provisions**

|                            | Onerous lease<br>provision<br>£ |
|----------------------------|---------------------------------|
| At 1 January 2017          | –                               |
| Increase in provision      | 190,000                         |
| <b>At 31 December 2017</b> | <b>190,000</b>                  |
| Analysis:                  |                                 |
| Current                    | 110,000                         |
| Non-current                | 80,000                          |
|                            | <b>190,000</b>                  |

The onerous lease provision represents the present value of the estimated obligations under a lease where the unavoidable costs of the lease exceed the economic benefit expected to be received from it.

**25. Related party transactions**

The Parent Company of the Group is Alpha FX Group plc. Note 13 provides information about the subsidiaries and the holding company. Details of the ultimate controlling party can be found in note 28.

The Group considers its key management personnel to be the Directors of the Company. The compensation of the Directors of the company, together with their shareholding, is included in the Remuneration Report.

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The subsidiary undertaking traded foreign currency contracts with M J Tillbrook on normal commercial terms, amounting to £nil (2016: £1,318,268). Contracts with notional principal amounts of £659,137 (2016: £781,257) were open as at year end and are included within trade receivables.

The subsidiary undertaking traded foreign currency contracts with M P Tillbrook; M J Tillbrook's father, on normal commercial terms, amounting to £750,167 (2016: £18,584). Contracts with notional principal amounts amounting to £700,000 (2016: £nil) were open as at year end and are included within trade receivables.

The subsidiary undertaking also traded foreign currency contracts with C I Kahn on normal commercial terms, amounting to £24,431 (2016: £nil), none of which were open at the year end.

A loan of £304,000 at 31 December 2016 due from the subsidiary undertaking to the Tillbrook Pension Scheme, a scheme in which M J Tillbrook and M P Tillbrook are trustees, was repaid in the year ended 31 December 2017. The loan was subject to interest charged annually at 1.5% and interest payments of £5,090 (2016: £5,700) were made on this loan during the year.

A loan of £500,000 at 31 December 2016 from M P Tillbrook was repaid in the year. Interest was charged annually at 5% and interest payments of £8,151 (2016: £25,000) were made on this loan during the year.

**25. Related party transactions (continued)**

At 31 December 2016, M J Tillbrook had made a loan to the subsidiary undertaking of £498,925. In the year ended 31 December 2017 a further loan of £400,000 was made before the balance was repaid in full together with interest at 5% of £14,575.

In the year ended 31 December 2016 the Group paid consultancy fees totalling £113,347 to Mask Enterprises Limited, a Company owned by M Singh, a Director within the Group.

In the year ended 31 December 2016, advances made to M J Tillbrook, a Director of the Group, of £219,642 were repaid in full.

**26. Share-based payments**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Under the Growth Share Scheme, selected employees of the Group have been issued with B shares in Alpha FX Limited. The rights attaching to the B shares include a put option which, when exercised, enable the shareholder to convert the B shares into ordinary shares of the Company. The rate of conversion is that the B shares will be regarded as worth a pro rata share of the gain above a specific hurdle set at £25m. The B shares will vest in 5 equal annual instalments starting on 31 December 2017 until 31 December 2021. Vesting requires 30% revenue growth per annum for the first three years and 20% revenue growth per annum in years four and five. Conversion each year is following the publication of the audited financial statements of Alpha FX Limited. The share options granted will not vest if performance conditions are not met.

Providing the vesting conditions have been met, the Company will issue shares in consideration of the B shares based on the average share price of the Company over the 60 days prior to the exercise of the put option. The B shares were subscribed for at nominal value with the employee settling the applicable tax based on the market value at the date of grant.

In the year ended 31 December 2017 awards were made of 2,073 B shares in Alpha FX Limited (2016: nil), representing 10.7% of the issued share capital. The fair value was calculated using a Monte-Carlo simulation model. The model considers historical and expected dividends, and the share price volatility of the Group relative to that of its competitors, to predict the share performance. The share-based payment charge of the Growth Shares awarded during the year ended 31 December 2017 was £399,685 (2016: £nil).

Based on share price of the Company of 487.5p at 31 December 2017, it is estimated upon exercise of the put options in respect of the year ended 31 December 2017, the Company will issue 565,387 shares.

Under the original terms of the Growth Share Scheme, the B Shares allotted to participants would vest in three equal tranches, occurring annually, starting on 31 December 2017 until 31 December 2019. Vesting would require 30 per cent revenue growth per year, meaning that full vesting would require three-year compound growth of 120 per cent. After consultations with participants in the scheme it was extended to 5 years. However, in line with IFRS2, the charges incurred by Alpha FX will still be recognised over the original three-year period, assuming modification has not occurred.

**26. Share-based payments (continued)**

When determining the grant date fair value of awards, service and non-market performance conditions are not taken into account. However, the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The inputs used for fair valuing the awards granted during the year were as follows:

|                            | 31 December<br>2017<br>£ |
|----------------------------|--------------------------|
| Expected volatility %      | 25.0%                    |
| Risk free interest rate %  | 0.09%                    |
| Option life (years)        | 3                        |
| Starting equity value (£m) | £33.6m                   |

In the absence of any historical data for Alpha FX Group plc, the expected volatility was determined by reviewing the share price of similar entities that are traded on AIM.

In the year ended 31 December 2017, an award was made to a Director under an unapproved option agreement of 57,297 share options at an exercise price of £0.002 per option share which are exercisable between 3 April 2018 and 3 April 2020. The fair value of the option granted during the year was £82,687 which was calculated using a Black Scholes model. The inputs used for fair valuing this award were expected volatility of 25%, a risk-free interest rate of 0.09% and a one year option life.

The Group recognised total expenses related to the above equity-settled share-based payment transactions in the year ended 31 December 2017 of £482,372 (2016: £nil).

**27. Operating lease commitments**

Total minimum lease payments under non-cancellable operating leases are as follows:

|                              | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------|--------------------------|--------------------------|
| Operating lease payment due: |                          |                          |
| Within one year              | 678,884                  | 140,176                  |
| In two to five years         | 245,179                  | 571,439                  |
| More than five years         | -                        | 517,350                  |
|                              | 924,063                  | 1,228,965                |

All operating lease commitments relate to non-cancellable lease on the Group's offices in the UK.

**28. Ultimate controlling party**

The Directors believe that there is no ultimate controlling party of the Group.

**29. Subsequent events**

On 20 March 2018 the Group launched a new business division, 'Alpha Institutional', whose focus is on expanding Alpha's service offering to fund and institutional clients.

In order to incentivise key personnel a newly formed subsidiary has been incorporated under Alpha FX Limited, the Group's existing subsidiary and main trading entity. The share capital of the new subsidiary is 60% owned by Alpha FX Limited, with the balance split between five key individuals. Commencing three full years following incorporation, the individuals will have the option to convert a percentage of their shareholding into Group shares each year, based upon strict performance criteria. At conversion, and in exchange for converting their shares into the Group, Alpha FX Limited's shareholding over Alpha FX Institutional Limited will commensurately increase.

On 20 March 2018 the Company determined that following the vesting of shares under the Growth Share Scheme for the year ended 31 December 2017, it would be issuing 565,387 shares on 27 March 2018. The number of shares to be issued is based on the average share price in the 60 days prior to vesting of 508.1p.

Company number: 07262416

# Company Balance Sheet

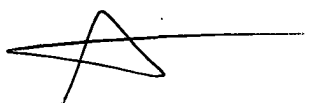
As at 31 December 2017

|                                     | Notes | As at<br>31 December<br>2017<br>£ | As at<br>31 December<br>2016<br>£ |
|-------------------------------------|-------|-----------------------------------|-----------------------------------|
| <b>Non-current assets</b>           |       |                                   |                                   |
| Investments                         | 4     | 1,081,302                         | 681,617                           |
| Deferred tax asset                  | 7     | 39,873                            | -                                 |
| <b>Total non-current assets</b>     |       | <b>1,121,175</b>                  | <b>681,617</b>                    |
| <b>Current assets</b>               |       |                                   |                                   |
| Trade and other receivables         | 5     | 14,099,337                        | 74,933                            |
| Current tax asset                   |       | 74,204                            | -                                 |
| Cash and cash equivalents           |       | 14,949                            | 15,075                            |
| <b>Total current assets</b>         |       | <b>14,188,490</b>                 | <b>90,008</b>                     |
| <b>Total assets</b>                 |       | <b>15,309,665</b>                 | <b>771,625</b>                    |
| <b>Equity</b>                       |       |                                   |                                   |
| Share capital                       | 9     | 65,524                            | 1,118                             |
| Share premium account               |       | 12,237,951                        | -                                 |
| Capital redemption reserve          |       | 3,701                             | 60                                |
| Merger reserve                      |       | 666,529                           | 666,529                           |
| Retained earnings                   |       | 2,280,601                         | 103,918                           |
| <b>Total equity</b>                 |       | <b>15,254,306</b>                 | <b>771,625</b>                    |
| <b>Current liabilities</b>          |       |                                   |                                   |
| Trade and other payables            | 6     | 55,359                            | -                                 |
| <b>Total current liabilities</b>    |       | <b>55,359</b>                     | <b>-</b>                          |
| <b>Total equity and liabilities</b> |       | <b>15,309,665</b>                 | <b>771,625</b>                    |

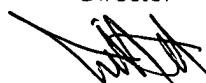
The Company reported a profit for the year ended 31 December 2017 of £2,240,522 (2016: £523,384).

The financial statements of Alpha FX Group plc were approved by the Board of Directors on 20 March 2018 and signed on its behalf by:

**M J Tillbrook**  
Director



**T C Kidd**  
Director



# Company Statement of Changes in Equity

For the year ended 31 December 2017

|                                                                       | Called up<br>share<br>capital<br>£ | Share<br>premium<br>account<br>£ | Capital<br>redemption<br>reserve<br>£ | Merger<br>reserve<br>£ | Retained<br>earnings<br>£ | Total<br>equity<br>£ |
|-----------------------------------------------------------------------|------------------------------------|----------------------------------|---------------------------------------|------------------------|---------------------------|----------------------|
| <b>Balance at 1 January 2016</b>                                      | <b>140</b>                         | <b>-</b>                         | <b>-</b>                              | <b>-</b>               | <b>90,534</b>             | <b>90,674</b>        |
| <i>Changes in equity</i>                                              |                                    |                                  |                                       |                        |                           |                      |
| Shares issued                                                         | 900                                | -                                | -                                     | -                      | -                         | 900                  |
| Cancellation of shares                                                | (60)                               | -                                | 60                                    | -                      | -                         | -                    |
| Settlement of shares in<br>subsidiary via share for<br>share exchange | 138                                | -                                | -                                     | 666,529                | -                         | 666,667              |
| Dividends                                                             | -                                  | -                                | -                                     | -                      | (510,000)                 | (510,000)            |
| Total comprehensive income                                            | -                                  | -                                | -                                     | -                      | 523,384                   | 523,384              |
| <b>Balance at 31 December 2016</b>                                    | <b>1,118</b>                       | <b>-</b>                         | <b>60</b>                             | <b>666,529</b>         | <b>103,918</b>            | <b>771,625</b>       |
| <i>Changes in equity</i>                                              |                                    |                                  |                                       |                        |                           |                      |
| Bonus shares issued                                                   | 54,782                             | -                                | -                                     | -                      | (54,782)                  | -                    |
| Cancellation of shares                                                | (3,641)                            | -                                | 3,641                                 | -                      | -                         | -                    |
| Shares issued on listing                                              | 13,265                             | 12,986,735                       | -                                     | -                      | -                         | 13,000,000           |
| Costs of issue of equity shares                                       | -                                  | (748,784)                        | -                                     | -                      | -                         | (748,784)            |
| Dividend paid                                                         | -                                  | -                                | -                                     | -                      | (491,430)                 | (491,430)            |
| Share-based payment                                                   | -                                  | -                                | -                                     | -                      | 482,373                   | 482,373              |
| Total comprehensive income                                            | -                                  | -                                | -                                     | -                      | 2,240,522                 | 2,240,522            |
| <b>Balance at 31 December 2017</b>                                    | <b>65,524</b>                      | <b>12,237,951</b>                | <b>3,701</b>                          | <b>666,529</b>         | <b>2,280,601</b>          | <b>15,254,306</b>    |

# Notes to the Company Financial Statements

For the year ended 31 December 2017

## 1. Basis of preparation

The financial statements have been prepared under the historical cost convention and with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosures of related party transactions with other wholly-owned members of Alpha FX Group plc group of companies.

In addition, and in accordance with FRS 101 financial instrument disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); or
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

The financial statements are prepared in pounds sterling which is the functional currency of the Group.

## 2. Significant accounting policies

The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

## 3. Profit for the year

As permitted in section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2017 of £2,240,522 (2016: £523,384).

The auditor's remuneration for audit and other services is disclosed in Note 5 to the consolidated financial statements.

**4. Investments in subsidiary undertakings**

The Company's investment in the share capital of Alpha FX Limited is disclosed in Note 17 to the consolidated financial statements.

|                                     | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-------------------------------------|--------------------------|--------------------------|
| Balance at 1 January                | 681,617                  | 14,950                   |
| Share for share exchange            |                          |                          |
| - Additional investment in the year | 399,685                  | 138                      |
| - Merger reserve                    | -                        | 666,529                  |
| Balance at 31 December              | 1,081,302                | 681,617                  |

The additional investment in the year represents the share-based payment for employees of the subsidiary company.

**5. Trade and other receivables**

|                                  | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|----------------------------------|--------------------------|--------------------------|
| Amount owed by Group undertaking | 14,095,547               | -                        |
| Other receivables                | -                        | 74,933                   |
| Prepayments                      | 3,790                    | -                        |
|                                  | 14,099,337               | 74,933                   |

During the year, no impairment provisions have been made against any class of debtor.

**6. Trade and other payables**

|                              | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|------------------------------|--------------------------|--------------------------|
| Accruals and deferred income | 55,359                   | -                        |
|                              | 55,359                   | -                        |

**7. Deferred tax**

The deferred taxation asset at a tax rate of 19% (2016: 19%) comprises the following:

|                                               | 31 December<br>2017<br>£ | 31 December<br>2016<br>£ |
|-----------------------------------------------|--------------------------|--------------------------|
| <b>(Liabilities)/assets</b>                   |                          |                          |
| At 1 January                                  | -                        | -                        |
| Deferred tax relating to share-based payments | 39,873                   | -                        |
| <b>Total deferred tax asset</b>               | 39,873                   | -                        |

**8. Employee costs**

The company did not have any employees during the period (2016: nil). All staff are employees of the subsidiary.

**9. Share capital**

Details of the share capital of the Company are included in note 20 to the consolidated accounts.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of the members of the Company will be held at the offices of Bird & Bird LLP, 12 New Fetter Lane, London EC4A 1JP, at 10.00 a.m. on 11 May 2018.

Members will be asked to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 10 will be proposed as ordinary resolutions and Resolution 11 will be proposed as a special resolution.

## ORDINARY RESOLUTIONS

1. To receive and adopt the Company's financial statements and annual accounts for the financial year ended 31 December 2017 together with the Directors' report and auditors' report on these accounts.
2. To re-elect Morgan Tillbrook as a Director of the Company.
3. To re-elect Tim Kidd as a Director of the Company.
4. To re-elect Clive Kahn as a Director of the Company.
5. To re-elect Lisa Gordon as a Director of the Company.
6. To re-elect Henry Lisney as a Director of the Company.
7. To re-appoint BDO LLP as auditors of the Company in accordance with section 489 of the Companies Act 2006 (the "**Act**") to hold office until the conclusion of the next annual general meeting at which the accounts of the Company are laid.
8. To authorise the Directors of the Company to determine the auditors' remuneration for the coming financial year.
9. To declare a final dividend for the year ended 31 December 2017 of 3.4 pence per ordinary share in the capital of the Company.
10. That the Directors be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Act, which authority shall be in addition to all existing authorities of the Directors to allot relevant securities for the purposes of section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of '**relevant securities**') up to an aggregate nominal amount of:
  - a. £22,000; and
  - b. (other than pursuant to paragraph (a) above) in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of Ordinary Shares where such issue, offer, scrip dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal

with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, or any other matter which the Directors consider merits any such exclusion or other arrangements),

provided that, in each case, such authority shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs first (unless previously revoked or varied by the Company in general meeting), but the Company may before this authority expires (or is revoked or varied) make an offer or agreement which would or might require relevant securities to be allotted after this authority expires (or is revoked or varied) and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired or been revoked or varied.

### **SPECIAL RESOLUTION**

11. That, conditional only on the passing of resolution 10 above, the Directors be and are hereby empowered pursuant to section 570 of the Act, which power shall be in addition to all existing powers of the Directors to allot equity securities for the purposes of sections 570 or 571 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 10 above as if section 561 of the Act did not apply to any such allotment, provided that this authority shall:

- a. be limited to:
  - i. the allotment of equity securities pursuant to the authority conferred by paragraph (b) of resolution 10; and
  - ii. the allotment of equity securities for cash otherwise than pursuant to sub-paragraph (i) above up to an aggregate maximum nominal amount of £6,552,

and subject to the continuance of the authority conferred by resolution 10 above, this authority shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs first (unless previously revoked or varied by the Company by special resolution) but the Company may before this authority expires (or is revoked or varied) make an offer or agreement which would or might require equity securities to be allotted after this authority expires (or is revoked or varied) and the Directors may allot equity securities pursuant to such offer or agreement as if this authority had not expired or been revoked or varied.

### **By order of the board**

**Tim Kidd**  
Company Secretary  
4 April 2018

**Registered Office:**  
2 Eastbourne Terrace  
Paddington  
London W2 6LG

# Notes to the Notice of Annual General Meeting ("AGM")

**Entitlement to attend and vote**

- 1 Only those members registered on the Company's register of members at 6.30 p.m. on 9 May 2018 shall be entitled to attend and vote at the AGM.

**Appointment of proxies**

- 2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a Form of Proxy with this Notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
- 3 A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrar of the Company.
- 5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

**Appointment of proxy using hard copy form of proxy**

- 6 The notes to the Form of Proxy explain how to direct your proxy, how to vote on each resolution or withhold their vote.
- 7 To appoint a proxy using the Form of Proxy, the form must be:
  - (a) completed and signed;
  - (b) sent or delivered to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; and
  - (c) received by Equiniti Limited no later than 10.00 a.m. on 9 May 2018.
- 8 In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- 9 Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

**Appointment of proxy by joint members**

- 10 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

- 11 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 12 Where you have appointed a proxy using the hard-copy Form of Proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
- 13 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

- 14 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Equiniti Limited no later than 10.00 a.m. on 9 May 2018.
- 15 If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- 16 Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

**Corporate representatives**

- 17 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

**CREST members**

- 18 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment by using the procedures described in the CREST manual ([euroclear.com/crest](http://euroclear.com/crest)). CREST personal members or other CREST-sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

- 19 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Equiniti Limited (ID RA19) no later than 10.00 a.m. on 9 May 2018. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST proxy instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**Issued shares and total voting rights**

- 20 As at 4 April 2018, the Company's issued share capital comprised 33,327,366 ordinary shares of £0.002 each. Each ordinary share carries the right to one vote at a general meeting of the Company therefore, the total number of voting rights in the Company on 4 April 2018 is 33,327,366.

**Questions at the AGM**

- 21 Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the AGM unless: (a) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

**Communication**

- 22 You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the letter with which this Notice of Meeting was enclosed and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

**Inspection of documents**

- 23 The following will be available for inspection at the place of the meeting prior to and during the AGM:
- (a) copies of service contracts of executive directors;
  - (b) copies of letters of appointment of non-executive directors; and
  - (c) a copy of the Company's articles of association.

**Explanation of the Resolutions**

Resolutions 1 to 10 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolution 11 is proposed as a special resolution. This means that for this resolution to be passed, at least three quarters of the votes cast must be in favour of the resolution.

**Resolution 1: Approval of Annual Report and Accounts**

Resolution 1 proposes that the Company's annual accounts for the year ended 31 December 2017, together with the directors' report and auditor's report on these accounts be received, considered and adopted ("**Annual Report and Accounts**"). The Company's Annual Report and Accounts will be posted to shareholders on 4 April 2018 and will be available online at <https://www.alphafx.co.uk/investors/financial-information/reports-and-accounts/> for download and printing from such date.

**Resolutions 2 to 6: Re-election of directors**

Resolutions 2 to 6 deal with the re-election of directors, who shall each retire as directors in accordance with the Articles of Association and, being eligible, offer themselves for re-election as directors of the Company.

Biographical details for each of the directors are available online at <https://www.alphafx.co.uk/investors/directors/>

**Resolutions 7 and 8: Re-appointment and remuneration of auditor**

Resolution 7 relates to the re-appointment of BDO LLP as the Company's auditor to hold office until the next annual general meeting of the Company whilst resolution 8 will be proposed to authorise the directors to set the auditor's remuneration.

**Resolution 9: Payment of final dividend**

Resolution 9 proposes the payment of a final dividend of 3.4 pence per ordinary share in the capital of the Company. An interim dividend of 1.5p per ordinary share was paid in October 2017, giving a total dividend for the financial year of 4.9p per ordinary share.

**Resolution 10: Allotment of share capital**

Resolution 10 grants the directors general authority to allot ordinary shares in the capital of the Company or to grant rights to subscribe for, or to convert any security into, such shares in the Company up to an aggregate nominal amount of £22,000, representing approximately 33 per cent. of the Company's current issued ordinary share capital.

**Resolution 11: Disapplication of statutory pre-emption rights**

Section 561(1) of the Companies Act 2006 requires that on an allotment of new shares for cash, such shares must first be offered to existing shareholders in proportion to the number of shares that they each hold at that time. The directors believe that there may be circumstances when it is in the best interests of the Company to allot new ordinary shares either on an entirely non-pre-emptive basis or in a way that departs from the statutory requirements set out in the Companies Act 2006.

Accordingly, resolution 11 grants the directors general authority to allot equity securities for cash (a) in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer, and (b) otherwise up to an aggregate nominal amount equal to £6,552, representing approximately 10 per cent. of the Company's current issued ordinary share capital, as if section 561 of the Companies Act 2006 did not apply to any such allotment.

# Shareholder Information

**Registered Office**

2 Eastbourne Terrace  
Paddington  
London W2 6LG

**Company Advisers**

Liberum Capital Limited  
Ropemaker Place  
Level 12  
25 Ropemaker Street  
London EC2Y 9LY

**Share Registrars**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

**Corporate Brokers**

Liberum Capital Limited  
Ropemaker Place  
Level 12  
25 Ropemaker Street  
London EC2Y 9LY

**Financial PR & Advisors**

Alma PR  
Aldwych House  
71-91 Aldwych  
London WC2B 4HN

**Auditors**

BDO LLP  
Level 12  
Thames Tower  
Station Road  
Reading  
Berkshire RG1 1LX

**Legal Advisers**

Bird & Bird  
12 New Fetter Lane  
London EC4A 1JP