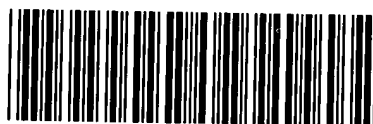


ALPHA FX GROUP PLC

ANNUAL REPORT 2021

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HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Group Revenue	Reported Profit before tax
2021: £77.5m	2021: £33.2m
2020: £46.2m	2020: £17.1m
2019: £35.4m	2019: £13.5m
Underlying profit before tax*	Basic earnings per share:
2021: £33.4m	2021: 57.7p
2020: £17.5m	2020: 31.7p
2019: £14.6m	2019: 27.7p

- Underlying profit before tax margin of 43% (2020: 38%).
- Reported profit before tax margin of 43% (2020: 37%).
- Underlying basic earnings per share up 78% to 58.3p (2020: 32.8p).
- Final dividend of 8.0 pence per share, payable on 13 May 2022 to shareholders on the register as at 19 April 2022, making a total dividend for 2021 of 11.0p (2020: 8.0p).

Operational Highlights

- Client numbers increased 27%, from 754 to 958.**
- Average revenue per client grew by 32%.
- 36% increase in average employee headcount, from 135 to 184.
- 36% of employees hold a long-term equity interest in the business.***
- Strong cash position and debt free with £109.8m net assets.
- Public launch of alternative banking platform for the alternative investment sector.
- Continued investment into our risk and governance functions with headcount increased to seven heads
- Post-period launch of new office in Milan, with further office launches in Luxembourg and Australia later in the year.

* Underlying excludes the impact of non-cash share-based payments.

** The Group excludes Training Accounts (those that have generated less than £10,000 in revenue since being onboarded) in order to provide a clearer picture of client retention for the purposes of these figures.

*** The Group defines a 'long-term equity interest' as an equity stake: held prior to the Company's IPO as ordinary shares in the plc; or held in the Group's B, C, D or E growth share scheme; or shares owned directly in one of the Group's trading subsidiaries.

IFC

We are Alpha.

A company where people and technology come together to solve the financial challenges of medium and large global corporates and institutions.

CEO's welcome

"In the last five years Alpha has transformed into a high-growth, multi-product and multi-national business. For us to sustain our enduring growth story and fully leverage our increasing capabilities, it is paramount we maintain the discipline of never becoming overly complex or complacent. We must remain resolutely focused on our customers, protecting our operational agility, and advancing our high-performance culture."

These are the foundations upon which our business has been built: they guide our strategy, empower our people, and ultimately set us apart in our industry.

The moment we lose sight of these principles is the moment we stop deepening our differentiation and widening our competitive advantage. However, as this report will show, we remain relentlessly focused on ensuring that never happens."

Morgan Tillbrook
Chief Executive Officer

OUR INVESTMENT CASE	OUR BUSINESS MODEL	OUR STRATEGY
'Bionic' financial solutions delivered by a business that is both 'David & Goliath'.	Some services are delivered by great people. And some are delivered by great technology. We work with clients that expect both.	The three pillars for us to fully leverage our capabilities and sustain enduring growth are cultural density, operational agility and client centricity.
For more information see pages 8-9	For more information see pages 15-16	For more information see pages 17-19

COMPANY OVERVIEW

We are a growing community of more than 200 people, providing enterprise-level financial solutions to some of the world's leading corporates and institutions.

Outlook

Looking forward, we see a major opportunities across all our businesses. We continue to take market share in UK FX Risk Management and are well on the way to replicating that UK success in overseas markets. We have also made an excellent start to Front Office hiring in Q1 22, as the disruption from COVID-19 subsides and our maturing internal recruitment team finds its stride. The initial response from our increased sales drive and marketing effort targeting alternative asset managers with our Alternative Banking Solutions validates that we have a sizeable opportunity in this space. We will continue to focus on understanding our clients' needs and concentrating on those areas and markets where we know we can differentiate and therefore grow sustainably. Whilst we remain mindful of Russia's invasion of Ukraine, we look forward to 2022 with confidence.

What we do

We work with high-quality corporates and institutions in over 50 countries, blending intelligent human interactions with leading technologies to solve complex problems across two key areas: FX Risk Management and Alternative Banking Solutions.

FX Risk Management

Our FX risk management services provide businesses with analysis, strategies and technology that help them manage the impact of currency volatility more effectively, whilst saving time and resource. We underpin these solutions with a variety of ways to buy and sell currency.

Alternative Banking Solutions

Our alternative banking solutions provide organisations with large, complex or highly specialised operations with an enhanced alternative to their traditional banking partners for the sending and receiving of large volumes of payments and the opening of local accounts globally.

Who we are

Our team of approximately 200 people is based across six locations in London, Amsterdam, Toronto, Luxembourg, Malta and Milan. Despite being an established business listed on the AIM market of the London Stock Exchange, we remain relentlessly focused on maintaining the same level of operational agility and client focus we had when we launched in 2009. Our people are brought together by a high-performance culture and a partnership structure that empowers them to act as owners of our business.

Our history

- 2009: Alpha launches as a specialist FX Risk Management provider to UK corporates.
- 2017: The Company IPOs and begins expanding its offering into Europe, with a multi-lingual team based in London.
- March 2018: Launch of institutional division in London.
- October 2018: Launch of Canadian sales office in Toronto.
- December 2018: Launch of Alpha Pay in London focused on developing alternative banking solutions.
- March 2020: Launch of Netherlands sales office in Amsterdam, with Group trading in over 40 countries.
- March 2021: Launch of office in Malta to provide European regulatory base and grow Back Office support.
- April 2021: Group's decentralisation into FX Risk Management and Alternative Banking Solutions is completed.
- March 2022: Launch of Italian sales office in Milan.

Our purpose-driven approach

Our purpose is why we're here. It drives our approach...	To create an exceptional community full of opportunity that works hard but lives well. • Community consists of all the stakeholders we work with. • Opportunity refers to the growth and rewards that come from contributing to and sharing in that community's success. • Exceptional opportunities are rare and don't come easily, which is why they require us to work hard. But achieving them is ultimately what enables us to live well.
Our vision states what we want to achieve...	We know how far we've come. But we also know how much further we want to go. We're committed to being leaders within our industry. Our vision is to be feared and envied by our competitors: feared for our ability and envied for our culture.
Our strategy propels us towards achieving our purpose and vision...	Our strategy is to retain and strengthen our cultural density, operational agility and client centricity as we grow, so we can fully leverage our capabilities and maintain our exciting growth story.

Our culture and values ensure we deliver our strategy in the right way...	We have a clear sense of who we are and what we expect from ourselves. Our culture creates a team of high-performing yet highly collaborative individuals that continue to drive us beyond our peers. Our people are guided by three key qualities: • Hunger: Ambition is the desire to get somewhere, someday. Hunger is knowing you can't afford to wait. • Humility: Humility is knowing you're never the finished article and that no individual is more important than the team. • Selflessness: Selflessness is putting your team and clients' interests before your own, in pursuit of the best possible outcome for everyone.
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INVESTMENT CASE

There are many reasons businesses and people invest in us, but here are some of the key strengths behind our services.

- **We're bionic**

Coined by Boston Consulting Group, 'bionic' is used to describe companies blending intelligent human interactions with new technologies to achieve their full potential and outperform their competitors. This is how we have always built our business, reflected in our obsession with being "high-tech, high-touch".

See more in Business Model

- **We're proven**

We've grown organically and profitably each year since our inception in 2009. Every new major investment we've made has proven itself, with all five of our subsidiaries profitable and delivering significant revenue contributions.

See more in Company Overview

- **We're diversified**

We provide an array of solutions across a variety of sectors and geographies, with clients in over 50 countries and 30 sectors. As a result, we've grown strongly and profitably every year since inception, even in the most challenging macro-environments.

See more in Company Overview

- **We're well-capitalised**

Profit growth and improving cash conversion mean we have a healthy and growing cash position. This enables us to capitalise on future investment opportunities and provide more attractive terms than our competitors, without further external investment.

See more in Financial Review

- **We're collectively owned**

Our unique partnership structure means that everyone that works at Alpha has the opportunity to become an equity holder in the business, with 36% of employees already shareholders. This collective ownership has been key to creating an entrepreneurial, high-performance environment that drives our unique growth story.

See more in Sustainability

- **We're David *and* Goliath**

Despite being an established business with powerful and growing capabilities, we remain relentlessly focused on retaining the same levels of operational agility and client centricity we had when we first started. This dynamic of being *both* David *and* Goliath is key to maintaining an effective and scalable business model and outperforming our competition. Our focus on decentralisation is key to this.

See more in Strategy and Decentralisation

- **We're just getting started**

We estimate that we have captured less than 1% of our addressable market, with a runway extending across 50 countries (and growing) as we expand into new geographies and products.

See more in Markets

CHAIRMAN'S STATEMENT

Results

2021 saw Alpha's trading return to a more normal pattern. Following the impact of COVID-19 on trading in 2020, it is pleasing to see our teams back to near normality, doing what we do best, successfully supporting our clients' FX, accounts and payments needs globally.

We have built our business by being an innovative provider of enhanced financial solutions for corporates and institutions. Our recent success and momentum have been further enabled by our decision to separate or 'decentralise' our business into two distinct offerings: FX Risk Management (established 2009) and Alternative Banking Solutions (launched in 2019).

Our strong FX Risk Management revenue growth reflects our successful onboarding of new clients, growing wallet share with existing clients and, importantly, the growing traction of our services in our overseas offices. The ongoing momentum within the Corporate London team is particularly encouraging given that many of our most experienced colleagues have moved on to lead and incubate Alpha's more nascent international operations, as well as the sales team within Alpha Pay (formerly 'Alpha Platform Solutions').

Our overseas offices performed strongly, delivering significant revenue growth and positive contributions. Given the success of our overseas expansion strategy to date, we are pleased to announce that in March 2022 we launched an office in Italy, and will also be launching an office in Australia in the second half of the year. Our research suggests that the Australian market has similar structural characteristics to the UK with a number of large domestic sectors and major companies that trade internationally.

Our three-year investment in our Alternative Banking Solutions offering is beginning to bear fruit. In September, we publicly launched our new accounts product, primarily focused on the alternative investment sector, which is now generating increasing client wins and revenue contributions. Our Alternative Banking Solutions team has excelled in developing our offering and building our go-to-market strategy and has been further strengthened by the arrival of Nick Maton, Managing Director in Luxembourg, where we will be officially opening an office later this year, subject to regulatory approval. We expect our Luxembourg office to develop into a major hub for the European expansion of our Alternative Banking Solutions offering.

People and Board

Our team grew considerably in 2021, and I would like to welcome everyone who joined us over the last year and thank all of our colleagues for their hard work. As COVID cases and restrictions begin to ease, we look forward to investing further in our teams, culture and working environments.

In May 2021 we appointed Vijay Thakrar to the Board as an independent Non-Executive Director. Vijay joins the Board with a wealth of experience and strong alignment with Alpha's values around people and culture. Additionally, in October 2021 we formally appointed our Chief Risk Officer, Tim Butters to the Board. Tim has been with Alpha since 2019 and has played a key role in defining and building out the Group's Risk Management framework. These appointments are important additions to the

Group and represent critical elements in the execution of our strategy. I am delighted to welcome Vijay and Tim to the Board.

After a career spanning over 30 years, Tim Kidd has informed the Board that he intends to retire from his role as Group CFO next year. Tim has agreed to an extended notice period (up until April 2023) so that we can take our time finding a strong successor and allow for an optimal transition period. Tim has had a major impact on the business since joining in 2016, guiding us through our IPO, and playing a key part in our strategy and performance. I would like to thank him personally for his vital contribution to the Group and look forward to the Board benefiting from his counsel for a while yet.

Dividend

Following the strong full year results, the Board is pleased to declare a final dividend of 8.0p per share (2020 – 8.0p). Subject to shareholder approval, the final dividend will be payable to Shareholders on the register at 19 April 2022 and will be paid on 13 May 2022. This represents a total dividend for the year of 11.0p per share (2020 – 8.0p).

Opportunity

We have never been better positioned as a company. With a strong culture, optimised structure, and a strategy to further disrupt our target markets by developing and delivering enhanced financial solutions that add tremendous value to corporates and institutions, we remain confident of Alpha's future growth and expansion potential.

Clive Kahn, Chairman

MARKETS

Guided by a number of market trends, we are well placed to support the evolving needs of our clients as we expand our products and geographies.

Our markets

Whether it's managing currency volatility, sending large volumes of payments, or opening accounts, managing finances effectively and efficiently is a universal challenge for medium to large organisations operating across borders. As a result, our clients span a wide variety of industries.

We provide enterprise-level financial solutions to corporates and institutions across more than 50 countries, the majority operating in the UK, Europe and Canada. We estimate that our present client base accounts for less than 1% of our target markets, and this opportunity only grows larger.

COUNTRIES	SECTORS	MARKET OPPORTUNITY
50	30	99%

Market trends

Within our markets, we are seeing a range of trends, the impact of which is primarily dictated by how we respond to them.

1. Growing digitalisation

Businesses are increasingly looking for digital solutions to manage their systems and processes more efficiently. In the B2C space, new entrants are often the first to market when it comes to innovation. However, new entrants have been slower to penetrate the B2B space as the barriers to entry tend to be far higher.

The success of B2B solutions within our industry is often dependent on providers having the funding and track record to partner with top-tier suppliers and earn clients' trust – things that are typically difficult for a start-up. Finally, the B2B space typically requires sophisticated solutions to more complex problems, delivered by highly capable sales teams. These take significant time, knowledge and money to develop.

Our response

Our highly consultative sales team, agile operating model and leading in-house tech team ensure we are well-positioned to keep up with the pace of innovation in this space. Our strategy differs from the many companies that focus on replacing human interaction with entirely digital solutions. Our client base is made up of lower volumes of higher-quality clients in order that we have the time and resource to provide them with a service that is both high-tech and high-touch.

2. Increasing regulation

Existing regulatory frameworks continue to provide a significant barrier to new entrants whilst new regulations in the future will further increase demands on time and resources. Companies with the

technological ability, compliance expertise, and capital to quickly adapt to these new requirements will maintain a competitive advantage.

Our response

We believe the strength of our compliance team and technology is a significant differentiator in our marketplace. Our focus is on having a compliance function that delivers the most exacting standards and can do so with greater levels of efficiency versus our peers.

By harmonising our operations with regulatory requirements, rather than seeing them as an obstacle, increased regulation can become a source of competitive advantage, as we are able to provide a far more efficient and robust compliance process than our peers.

3. Macro-economic uncertainty

The foreign exchange market is highly sensitive to changes in the macro-political and economic environment. The scale and unpredictability of these changes impacts the volatility of FX markets. We have continued to see high levels of volatility on the global geo-political stage, thereby triggering high levels of volatility in FX markets.

Our response

One of the fundamental principles of our approach to FX risk management is to avoid making decisions based on market volatility and speculation. Instead, we remain focused on promoting a structured and formalised approach to risk management – one where clients buy currency in line with a pre-agreed strategy rather than in response to changing macro-conditions.

Volatile macro-economic conditions assist in highlighting the importance of proper risk management in the future.

4. Consolidation of non-bank competition

We have seen growing competitor consolidation, often driven by private equity funded 'buy and build' strategies. With ever-increasing UK regulation and Europe now requiring additional frameworks, we believe consolidation will continue to be a trend amongst non-bank providers, which we estimate make up circa 15% of our market in the UK, with the remaining share still held by traditional banks. We perceive the percentage of non-bank providers to be even lower in mainland Europe.

Our response

As our peers consolidate, they often become slower and more complex like their traditional bank rivals, typically targeting a broader marketplace with more generic solutions. As a cash-rich, debt-free PLC with a highly focused and agile business model, we are well-positioned to win market share from these providers, many of which can often lose momentum and motivation as they move towards pre-defined investment horizons. See more on our decentralisation plan on page 28.

5. COVID-19

Uncertainty remains over the long-term impact of COVID-19, but many companies have already come under significant financial stress.

We expect companies to become increasingly cautious about who they place their money with. Many clients of FX providers will have found their credit ratings downgraded, and with it, the appetite of the FX providers to serve them.

Our response

As a public company, we provide clients with greater levels of transparency versus most private companies by virtue of enhanced levels of regulation and the depth and frequency of our reporting obligations. We have a strong track record and balance sheet and are well placed to provide businesses with reassurances of our financial standing as well as win business from providers who cannot provide the same level of reassurance.

Though our own risk appetite has been adjusted in light of the current macro-conditions, we believe the breadth and depth of experience within our Credit team allows us to take a more detailed and dynamic approach when assessing a client's creditworthiness. Our credit strategy enables us to better accommodate customers' needs versus smaller providers who are more capital constrained, or larger providers who typically adopt more blanket-based policies.

6. Invasion of Ukraine

Following Russia's invasion of Ukraine, our thoughts are first and foremost with those affected. The situation is changing rapidly, but it seems likely that sanctions impacting Russia and Russian companies will remain for some time and that considerable uncertainty will continue.

Our response

Ultimately, Alpha has limited direct or indirect exposure to Russia or Ukraine and therefore we do not anticipate any significant impact to the business from these events. Be that as it may, we are deeply saddened by the tragic events that are unfolding and will be offering support to humanitarian relief in Ukraine.

BUSINESS MODEL

Great people. Great technology. Great outcomes.

Some services are delivered by great people. And some are delivered by great technology. We work with clients that expect both. Our service is led by an experienced and attentive team and amplified by cutting-edge technologies that unlock powerful insights and efficiencies. We call this blend of people and technology, 'being bionic'.

What we do	How we're different	How we monetise	The value we create
FX Risk Management - Bespoke hedging strategies. - Flexible hedging facilities. - FX execution: spot, forward & options.	Cultural Density 36% employee shareholders. - Sustainable high-performing culture. - Founder-led and low hierarchy. - Diverse multi-lingual team. - Inspiring community and environment.	FX Risk Management: Margins on spot, forward & options contracts.	Our people Providing outstanding earning and learning potential for everyone who works with us and the opportunity to own a stake in the business through share option incentive schemes.
Alternative Banking Solutions - Mass payments. - Global account solutions.	Operational Agility - Decentralised and focused offerings. - Automated technology. - Anti-complexity mentality. - Streamlined systems and processes. - Quick but controlled decision making. Client Centricity - Highly experienced and personal service. - Putting clients' needs before our own. - Continuous research & insight programme. - Bespoke systems, processes and technology. - Business conversations not sales conversations. Powerful Capabilities - Cash rich, debt free and highly profitable. - Strong brand, reputation, and track record. - Global local banking rails. - High-quality and diverse product offering. - Low-legacy cloud-based modular technology.	Alternative Banking: - Margins on spot contracts. - Payment & account fees.	<i>Employee Shareholders 2021: 36%</i> Our clients Solutions that make a substantial and enduring difference to our clients, delivered by an experienced and attentive team and amplified by cutting-edge technologies. <i>Growth in Avg Revenue Per Client 2020-21: 32%</i> Our shareholders Delivering sustainable long-term returns.

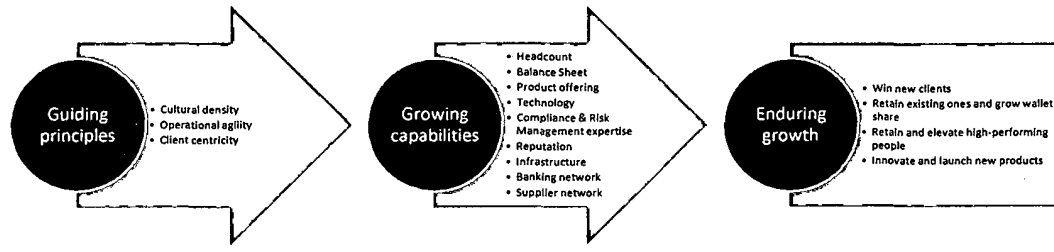
See more in our strategy on page 17

			<i>Share Price Growth</i> <i>IPO: 2017- FY21:</i> <i>700+%</i> Our partners Providing opportunities to grow with us. <i>Banking</i> <i>Counterparties: 6</i> Our communities Fundraising and volunteering for our chosen charities and environmental causes <i>Carbon emissions</i> <i>offset for 2021:</i> <i>100%</i>
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STRATEGY

Our goal is to retain and strengthen our cultural density, operational agility and client centricity as we grow, so we can fully leverage our capabilities and maintain our exciting growth story.

Our strategic framework



Guiding principles

	Key Progress in 2021	Key Future focus
Cultural density Providing an exceptional community full of opportunity, that inspires our team to expel discretionary energy and go further than our peers.	• Formed an exclusive partnership with world-renowned performance coach Ceri Evans, to enhance our high-performance culture and create an actionable blueprint for disseminating it across the wider business. • Significant resource invested in coaching and developing our Senior team to enhance leadership capabilities. • Continued to grow and mature our internal sales recruitment team.	• Planned expansion, with new offices in Milan, Luxembourg & Australia. • Launch long-term performance-related share option schemes, aligned to maximising overall shareholder returns. • Grow sales teams within existing offices, with commitment to further improve on learning curve. • Work with Ceri Evans on a programme to propagate learnings out to the wider business.
Operational agility Reducing complexity and complacency as we scale to provide a low friction and efficient experience for our clients and employees.	• Decentralisation into FX Risk Management and Alternative Banking Solutions completed. • Strengthened our execution capabilities through an ever more deliberate strategy, versus	• Continue to build out our execution capabilities and reduce complexity. • Continue investment in technology hires and third-party suppliers.

	a previously emergent style. • 500+ technology updates carried out in the year. • Further enhanced Risk & Governance across the business, whilst increasing headcount to seven and promoting Tim Butters, Chief Risk Officer to the Board.	• Continue to maintain an industry-leading risk management framework in line with business growth.
Client centricity Scaling high-performing yet client-centric teams that put our clients' needs first whilst seeking to better understand them.	• Expanded product team from one to seven. • More money on research. • Grew our Client Services team • Defined our 'Selling Standards' framework to cement both our client-first culture and focus on 'business conversations over sales conversations'. • Streamlined systems and processes through a dynamic data model, in order to deliver greater efficiency and insight for customer service.	• Increase time and money invested into client research and building out our innovation capabilities. • Increase investment in employer branding & marketing to support growth of high-performance team. • Continue to roll out our 'Selling Standards' framework globally and raise standards even higher.

Ever-growing capabilities

Headcount	214
Net assets	~£110m (FY21)
Product offering	FX Risk Management Alternative Banking Solutions
Reputation	AIM 100 business Six regulatory licenses
Infrastructure	Five offices globally (with two more planned)
Banking network	160+ countries 155+ currencies Six counterparties, including two of the top 20 international banks
Global Reach	50+ countries
Risk Management & Governance	Monthly risk committee Appointed Chief Risk Officer to Board Increased Group Risk function to five people and have begun building out internal audit for 2022

Enduring growth

	Progress in 2021	KPIs
Win high value clients	• Client numbers increased to 958 (+27%).	Number of clients
Retain existing clients and grow wallet share	• Average revenue per client continues to increase. • Generating meaningful revenue from cross-selling.	Average revenue per client

CHIEF EXECUTIVE'S STATEMENT

Overview

It's been an exciting and gratifying year as we started to see the benefits of decentralising our operations on the day-to-day running of the business. These investments have strengthened our position in FX Risk Management and empowered us to build out new propositions in our Alternative Banking Solutions division. Together with an excellent performance from our overseas offices, we have delivered strong revenue and profit growth across the Group.

At the end of the year, client numbers increased by 204 to 958 (FY 2020: 754), contributing to full-year revenue increasing 68% to £77.5m compared to the same period last year to £77.5m, with record H2 revenues of £43.3m (growth of 55% year-on-year).

The Group continues to deliver on its strategy, with all business units profitable and setting new records. Underlying profit before tax was £33.4m with a margin of 43% (FY 2020 38%). Margins were higher than expected given the strong revenue momentum through the year, which more than offset the planned H2 cost increases from accelerated hiring, increased travel and entertainment spend, and further investments in new international offices and technology.

People and Culture

We are increasingly confident in the repeatability of the Alpha way and the company's longer-term growth. We have been highly successful in expanding and exporting our culture, product strategy and technology roadmap as we launched Alternative Banking Solutions and established new overseas offices. Our core UK Corporate FX Risk Management business has been the incubator for many of these initiatives and it has been exciting to see our talented team leaders launch new business divisions which develop and deliver on our strategies and objectives.

Our in-house recruitment team is developing in line with our ambitions, successfully bringing new talent into the organisation both in the UK and overseas. Overall headcount increased from 147 at the start of the year to 214 at 31 December 2021. Front Office headcount increased to 92 (31 December 2020: 78), with hiring focused on new business development. Whilst we will continue to grow our team to support the rate of client acquisition, there is also significant capacity within the existing team to support considerable long-term growth. The strength of our sales team remains a key differentiator and can sometimes be taken for granted. However, the ability to engage senior decision-makers on complex topics within a noisy marketplace is rare. Even rarer is the propensity for these same people to consistently put the needs of these clients before their own, whilst also prioritising the learning and development of their colleagues. But rarest of all is to have an entire team that share these qualities. This is why we have grown the way we have; it's why each year our new hires develop faster than our previous ones; and it's why recruitment will always be a hard but rewarding challenge!

Back Office headcount increased to 122 (31 December 2020: 69), predominantly reflecting the build-out of our support teams in the UK and Malta for our Alternative Banking Solutions offering across Compliance, Technology and Client Services, and our continued emphasis on solid risk management processes as we grow our business.

Our culture, principles and values are consistently ingrained across our growing businesses. We have settled on our definition of a high-performance culture – ‘a place where **everyone’s** getting better’. It is a simple statement but an incredibly ambitious one. There is no destination with this; it is an ongoing, never-ending pursuit, but one that precisely encapsulates the reason we’re all here.

Personal development is an intrinsic part of our high-performance culture, and we are investing in training and world-class coaching to strengthen this. We are passionate about providing our team with the support and tools to maximise their potential and elevate themselves and the company.

Our employee share ownership schemes continue to be another source of competitive advantage. Our team’s collective ownership and ability to benefit tangibly from the client outcomes they deliver, ensures that we are all pulling in the same direction, whilst always putting the long-term interests of our clients first, along with those of our shareholders. Despite our growth in headcount, 36% of employees now hold a long-term equity interest in our business, and we continue to devise new share schemes that ensure colleagues are both rewarded and accountable for delivering exceptional growth within their respective divisions.

Following our announcement that Tim Kidd will be retiring in April of next year, I would like to thank him enormously for his support and contribution over the past six years both professionally and personally. From the moment Tim joined, he has consistently gone above and beyond for the business, and his decision to provide an extended notice period is yet another example of his loyalty and affection for Alpha. We have already begun the search for Tim’s successor and intend to hire in good time in order to create an extended handover period with Tim and therefore complete an optimal transition.

Benefits of decentralising

We take calling ourselves Alpha very seriously – we set out to win wherever we operate and you can’t win without creating an environment that creates complete alignment between the team and their customers. To achieve this, we must be agile, focused, and thus decentralised.

For those new to Alpha, decentralisation refers to the process of dividing an organisation into separate business units, each focused on their own propositions and supported by their own people, processes and technology. The goal is to generate complete alignment between the team and their customers, without compromise.

Between 2019 and 2021, we decentralised Alpha’s offerings, FX Risk Management (first established in 2009) and Alternative Banking Solutions (first established in 2019), into two distinct divisions. Both divisions now benefit from being underpinned by dedicated and specialist people, operations, technology and research units. Our colleagues within these teams also benefit from having clear lines of accountability and recognition.

The products and services developed and launched by our FX Risk Management and Alternative Banking Solutions teams are distributed across various sectors and geographies via the Group’s sales operations. We recognise these in our segmental reporting as: Corporate London, Institutional, Corporate Toronto, Corporate Amsterdam, and Alpha Pay (formerly Alpha Platform Solutions). These highly motivated teams are building out well-received and targeted client propositions and leveraging our long-established consultative sales approach.

At a Group level, we continue to benefit from the optimisation of our technology investments, enhanced compliance and risk management processes, improved financial reporting and forecasting, and an evolving business culture that brings together everyone, regardless of geography or division.

Although we have two separate divisions, they both combine intelligent human interaction with automated technologies. We call this blend, 'being bionic'. In order to successfully service high-value clients and solve the complex challenges they face, being both high-touch and high-tech is essential. However, getting to a point where you can do both well is difficult and rare. With decentralisation, the capabilities of our people and technology can continue to grow from strength to strength, and become increasingly difficult for our competitors to emulate.

Most businesses default to centralising and consolidation, typically trying to save costs and control processes and people. This often leads to the businesses and business leaders becoming generalists, and further distanced from their customers and their requirements. Under my leadership, I will continue to look to decentralise as we invest and grow. We truly have talented and committed people that must stay close to our customers and be trusted and backed. An overfocus on saving costs and an overcontrolling strategy at the expense of an agile, client-centric approach has no place within our Group.

Business overview

FX Risk Management

Our FX Risk Management division focuses on supporting corporates and institutions that trade currency for commercial purposes, such as buying or selling goods and services overseas or hedging the underlying value of an asset or liability. We service this marketplace through our corporate and institutional sales teams in London, Toronto, Amsterdam and from 2022, Milan. Revenues are derived from commissions on forward, option and spot contracts. Trading patterns reverted to a more normal trend this year following the COVID-19 driven volatility of 2020. Revenue growth of 43% to £57m reflects the division's successful onboarding of new clients, growing wallet share with existing clients, and importantly, accelerating client acquisition and trading momentum in our overseas offices.

The established Corporate London business continues to perform well with FX Risk Management revenues up 24% to £34.2m, while our Institutional business continued to deliver strong results with FX Risk Management revenues up by 48% in the year to £11.1m. Overall, our strong performance in both businesses, resulting in further market share gains from traditional banks and other foreign exchange providers, derives from our continued investment in growing our operations, alongside maintaining the quality of our people, and differentiated service offering.

Despite much of our most established talent moving on from the Corporate London division to lead and incubate our other offices, we are increasingly attracting clients with potential higher group lifetime values as we develop, launch and offer them additional value-added payments and accounts solutions. Furthermore, as our new offices mature, they too are becoming incubators for entrepreneurial talent that can go off to help launch other new investments. Our top-performing Portfolio Manager in Toronto has transferred from our Toronto office to spend H1 with our team in the UK, in preparation for the launch of our Australian office later this year. It is exciting to realise that, as this trend continues across our other offices, the pool of entrepreneurial talent we have will continue to proliferate.

I would also like to thank the Managing Director of our Canadian Office, Mark Stuart, for his selflessness in supporting this move. Many in Mark's position would have been reluctant to transfer their top-performing Portfolio Manager. However, the level of support and encouragement Mark has shown is a testament to his passion for seeing people grow and his propensity to always put the wider business before himself. Ultimately, whilst moves like this may have a short-term impact on the growth of individual subsidiaries, the longer-term growth prospects it creates for the Group far outweigh this.

Overseas offices

Alpha's overseas offices provide an entry point into new markets for the Group whilst retaining the strong culture and business model established in London.

Our Toronto office was launched in Q4 2018 and the team had the challenge of being our first venture overseas as well as dealing with COVID-19 disruption. Nevertheless, the second half of 2021 saw a break-out in client volumes, delivering full-year revenues of £5.5m, growth of 158%, and a further improvement in profit margins. The business is on a similar trajectory to our early years in the UK and we see no reason in the medium term why the revenue profile and margin structure cannot continue to evolve in a similar way to the success delivered in the UK over the last decade.

Our Amsterdam office is also clearly demonstrating the success of exporting Alpha's culture. Set up in April 2020, this office achieved a profitable contribution in 2021 and delivered H2 vs H1 2021 revenue growth of over 3x.

Our Malta office was established in March 2021, initially to create a European regulatory base from which we could continue passporting our regulated services into the EU, following the UK's Brexit withdrawal. However, we have also been very impressed by the calibre of people that have shown an interest in working for us since opening there, particularly in the areas of Compliance and Client Services. As a result, we believe our Malta office now has all the makings of a leading team, and our intention is to build out our headcount within the country to support the growth of our Alternative Banking Solutions business.

In March 2022 we launched a new office in Milan with three existing employees from our Corporate London office having moved to Italy to lead the team. Establishing a local presence in Italy not only provides greater prospects within this already encouraging marketplace but, additionally, enables the Group to attract high-quality domestic talent.

We also intend to invest in an office and presence in Australia in the second half of 2022. Alongside our offices in Toronto and London, an office in Sydney will give us the 24/7 capability to support our clients globally.

Alternative Banking Solutions

Our Alternative Banking Solutions division focuses on providing corporates and institutions globally with a suite of alternative banking solutions covering payments and accounts. Serviced by a specialist team of technology, compliance, and front office business development staff, the team also benefits the wider Group through cross-selling with our corporate and institutional sales teams. Alternative Banking Solutions revenues grew substantially in the year, from £6.4m to £20.4m. Revenues are

derived from commissions on spot transactions as well as Account & Payment fees. Our mass payments solution is now an established player in the market, helping companies send thousands of payments in multiple currencies, often with far greater efficiency, visibility and control than their existing providers.

Our Alternative Banking Solutions business is built on providing high-impact financial solutions and simplifying banking processes, backed by a growing investment in technology and intelligent processes. In September, we officially launched our alternative banking platform for the alternative investment sector. The build-out of our platform into this sector was well researched and planned. The result is an agile and purpose-built technology stack, underpinned by high levels of dedicated support and service. It is also another example of leveraging our talented teams with the overlap and collaboration with our institutional team that has over a decade's experience working within the sector.

The Group is supporting the launch of our alternative banking platform by opening an office in Luxembourg, and we have appointed Nick Maton as its Managing Director. Nick has over 30 years of experience in financial services and in-depth knowledge of the alternative investment sector alongside his traditional banking experience. Nick has spent the past 15 years in senior executive positions at J.P. Morgan, HSBC and most recently as Managing Director of Intertrust, Luxembourg.

Alternative Investment Managers often encounter issues opening local bank accounts globally and completing transactions, due to policies and technologies that are typically mass-market or burdened by legacy systems and therefore not designed to efficiently cater for the complexity of investment structures. We have invested significantly in understanding the challenges that alternative investment institutions face, developing a bespoke front and back-end platform solely focused on the industry. This includes building a dedicated in-house team for effective onboarding, settlement and compliance of funds and their investment entities, whilst also meeting the understandably complex regulatory requirements of such funds. The Group now offers a service that traditional providers have struggled for years to provide to alternative investment funds. The result is that overseas accounts that would have taken months to open are now typically taking less than a week.

We receive revenues from the platform in the form of both account fees and commissions on spot trading. We typically receive most fees on set-up but recognise the revenues over a 12-month period. Our initial success is reflected in the £2.2m of deferred income on the balance sheet at the end of December 2021 which also highlights the potential for enhanced cash flow as we grow, and clients renew their account facilities with us annually with recurring account maintenance fees.

Revenue from payments and account fees represented 14% of Group revenue in the year. We are excited by the initial client engagement and the innovation from our team, and a dedicated marketing drive in 2022 is already underway. Not only do we believe we have the opportunity to continue scaling the business materially, but there will also be opportunities to offer FX risk management services to these clients.

Technology

Following our decentralisation, we were left with two separate technology stacks, each serviced by their own dedicated technology teams (one for FX Risk Management, one for Alternative Banking Solutions). A core element of our strategy is investing in technology across these two divisions.

Prior to our decentralisation, we had predominantly focused on investing in our Alternative Banking Solutions technology, with our new offering successfully launched last year. This naturally constrained

our bandwidth and meant we invested less in our FX Risk Management technology than we would have liked to. However, following decentralisation, we now have a dedicated team and technology roadmap for FX Risk Management, and are looking forward to once again accelerating the rate of innovation within this division. This will begin with the launch of an upgraded client portal later this year. The new portal will benefit from an entirely new client-facing suite, as well as several powerful enhancements to our existing back-end technology stack. We are very excited about the value it adds to our offering and look forward to updating the market with more details once we have publicly launched.

Ultimately, with two purpose-built technology stacks serviced by two dedicated technology teams, our developers now have the focus, freedom, and capabilities to build the best possible products for our clients, and an organisational structure that will ensure they are clearly recognised and rewarded for the impact they have on their respective offerings.

Market developments

Since the beginning of H2 2020, the overall market opportunity has been broadly consistent with pre-COVID levels. Overall, our strong performance in 2021 reflects our continued investment in growing existing and new businesses, alongside the quality of our people, service offering, technology stack and highly diversified client base. We will continue to monitor conditions and business activity globally, but the signs are that hopefully COVID-19 is in retreat, which adds to our confidence that we are well-positioned for the year ahead.

Beyond COVID, we also faced additional challenges when the UK exited the EU at the start of 2021. Whilst we had been preparing for the possibility of a no-deal Brexit for a considerable length of time, the limited scope covering financial services within the Free Trade Agreement meant the team had to move quickly to establish an office and regulatory presence in Malta. This ultimately ensured we could continue servicing our clients with limited disruption to them or our market opportunity. The efficiency with which this process was carried out, despite the unprecedented macro back-drop is ultimately a testament to our ability to adapt and scale at speed. I would like to thank all those involved for their hard work in seeing this through, in particular Simon Kang, our General Counsel, and Tim Butters, our Chief Risk Officer.

Russia-Ukraine

We are deeply saddened by the tragic events unfolding in Ukraine and our thoughts are first and foremost with those affected. In the lead up to and following Russia's invasion the Group has taken the necessary precautions to mitigate the impact on our business. The Group has historically had limited exposure to the Russian rouble, currently 0.02% of the forward book, across two clients with strong financial standings. In addition, there are only a small number of clients with direct exposure to Eastern European currencies making up 1.7% of the forward book. These clients have all undergone a detailed credit review in light of recent events and those that have not already closed out their contracts continue to hold positions based on the strength of their credit standing. We also continue to monitor our client base for businesses that have the potential to feel wider knock-on effects from the conflict.

There has been no material impact to the Group to date, nor does the Group anticipate any material impact to trading moving forward. However, recognising that the situation is developing rapidly, we will continue to review and monitor it closely.

The year ahead

When I think back to how far Alpha has come since we started in 2009, I am reminded that much of what made us successful back then continues to drive our success today.

Successful start-ups excel because they have great cultures, high levels of agility, know their customers inside out and go the extra mile. Established companies often slow down because, as they scale, they start to compromise on their culture, become mired in legacy and complexity, and lose touch with what's important to their clients and people.

The challenge is, how do you keep those 'start-up' credentials when you find yourself a much bigger business? Our answer was decentralisation, and it has been truly game-changing for the business. Moving into 2022 and beyond, our strategy is to remain focused on maintaining the credentials that I believe have always defined our growth story: cultural density, operational agility and client centricity.

I truly believe that if we can continue to maintain these three things whilst also growing our capabilities, we can maintain this exciting and rewarding growth story for long into the future. It is, as one of our close business partners put it, about building a business that is both '*David and Goliath*'.

KEY PERFORMANCE INDICATORS

The following KPIs are used to track the performance of the business against the Group's strategy. Each KPI is linked to one or more parts of our strategy, as outlined on page 17.

KPIs	Trend ¹
Revenue The income from services and products provided to clients during the year.	2021 – 77.5m 2020 – 46.2m 2019 – 35.4m 2018 – 23.5m 2017 – 13.5m
Client Numbers¹ The number of clients that have generated revenues in excess of £10,000 over the previous 12 months.	2021 – 958 2020 – 754 2019 – 648 2018 – 482 2017 – 310
Underlying operating profit² Profit before interest, tax, exceptional items and share-based payments.	2021 – 33.6m 2020 – 17.1m 2019 – 14.7m 2018 – 10.0m 2017 – 6.8m
Front Office headcount The number of employees in Front-Office that are employed by The Group as at 31 December of each year.	2021 – 92 2020 – 78 2019 – 74 2018 – 51 2017 – 32

¹ The Group excludes Training Accounts (those that have generated less than £10,000 in revenue since being onboarded) in order to provide a clearer picture of client retention for the purposes of these figures.

² Underlying excludes the impact of non-cash share-based payments and in the prior years, exceptional property-related costs.

STRATEGY IN ACTION 1

Decentralisation: Keeping complexity and complacency at bay

Although there is some healthy cross-pollination between our two divisions, Alternative Banking Solutions is a very different business to FX Risk Management. To conflate the two would move us from specialists to generalists, a mistake many within our industry have made.

Keeping complexity and complacency at bay as we scale is one of our business's biggest challenges. We realised servicing clients of both divisions with the same infrastructure and teams would drive increasing levels of complexity as both units continue to scale, whilst also diluting our ability to specialise around our clients' needs.

In response, we executed a decentralisation plan covering the processes, people, and technology that serve those divisions. Decentralisation means two separate business units, which focus on their own propositions and have complete alignment with their customers without compromise. To achieve this, we:

- Created a new organisational structure and leadership teams
- Defined independent strategies based on meaningful insight to deepen our differentiation
- Introduced bespoke client onboarding and settlement policies and processes relevant to the risk profile of each business unit
- Rolled out new focused and concise terms and conditions specific to each unit

Through decentralisation, both FX Risk Management and Alternative Banking Solutions are benefitting from:

- A set of focused propositions that deliver on client centricity
- Dedicated technology delivering more agility and scalability
- The fostering of deeper subject matter expertise
- Clarity for our people and an amplification of our culture, enabling us to have better insight to reward both individual and team performance

Ultimately, we believe decentralisation will allow us to remain entrepreneurial, sustain our growth journey and continue to win long into the future.

STRATEGY IN ACTION 2

Coaches fuelling cultural density

Dr Ceri Evans

Dr Ceri Evans is a consultant psychiatrist from New Zealand who specialises in helping leading organisations, businesses and teams create high-performance cultures where everyone is getting better. Ceri has worked across the spectrum in high performance sport, corporate, medical, education and government environments. Author of *Perform Under Pressure*, his clients have included Mercedes F1, alongside the New Zealand All Blacks who he has been providing specialist consultancy since 2010. He is now working with the team at Alpha to help us evolve our high-performance culture.

What were your first impressions of the business?

Early on, I was aware of the potent mix between Alpha's drive for performance and the team spirit and enjoyment that comes with it. There's an authentic desire to create a culture that combines the drive for results with high care for committed teams.

It's also a team that approaches high-performance with a powerful level of pragmatism – they're constantly taking new ideas and immediately looking at how they can be applied to create value. Alpha FX is a place that was already successful in so many ways, yet with the humility that's so ingrained here, they wanted to get even better.

How exactly will you be working with the business?

I'm here to help Alpha build a high-performance culture across the whole group. This means creating an environment where everyone is focused on getting better, whatever their role and irrespective of results. To do this, I'm working with Morgan, Adam and Alex to create a practical, enjoyable and scalable framework for high performance that empowers the Alpha community to identify its blind spots, speak up about what can be improved, as well as identifying strengths that can be made even more distinctive.

What are your ambitions and priorities?

Morgan, Alex and Adam have set out a very ambitious plan for growth and expansion. Outside of the delivery piece, I want to build strong relationships, add value that surprises, and play my part in helping Alpha chase down the next level of performance! I continue to find the community to be warm, hugely enjoyable and, in certain moments, a formidable challenge!

Matt Knowles

Matt Knowles has had a significant impact on Alpha since first joining as an independent Non-Executive Director in 2018. Matt is an entrepreneur by background and has a wealth of experience in building and maturing high-growth businesses. His ability to coach, challenge and analyse situations from a broader strategic perspective has been invaluable to the Group. At the end of 2020, he moved

off the Board to take on a more active role with the Group as Strategic Advisor. Here his primary focus is on coaching members of the Senior Management team and helping the Group to cultivate more effective strategies.

Why did you decide to take a more active role within Alpha?

This was an invitation from Morgan to come and step back into the game. I had been working in Venture Capital for a number of years (investing in Fintech, Software & Cyber Security across Europe and North America) when Morgan and I discussed this. The opportunity to become more active at Alpha, deeper in the detail of strategy and most of all closer to the senior team was just too good an opportunity to miss. Working alongside such an outstanding yet humble team who have built an incredible business yet were so completely focused on getting better was a no brainer. Frankly, it has been a joy to work with the leadership team. It's a business that is obsessed with getting better.

What does your new role entail?

I came in to work as an executive coach and to support the creation of strategy and execution. In simple terms it's about helping people (and teams) to increase their awareness, insight and agility. Working alongside Ceri Evans and Morgan to help create clarity as to our next level of performance.

What are your ambitions and priorities?

Put simply – to support the senior team in their drive to get better.

ENGAGING WITH OUR STAKEHOLDERS (s172)

Understanding what matters to our stakeholders is critical to our long-term success and always has been. We are committed to considering our stakeholders' interests in all our decisions and advice.

Our team Our people are the lifeblood of our business. Their skills, values and commitment are what enable us to provide a leading level of service to our clients and grow our business.	
How did we engage with them?	Our decentralisation into FX Risk Management and Alternative Banking Solutions has served to create two highly focused teams who are closely aligned and involved in delivering on their division's strategic priorities and goals. At a divisional level, engagement includes: - Bi-weekly strategy meetings between all department Heads to share team progress and feedback. - Quarterly strategy presentations, followed by audience Q&A and anonymous feedback surveys. - Regular team-building exercises, including company-wide trips. - 1-2-1 meetings with line managers. - 360 feedback surveys on senior management. - Celebrating wins and recognising outstanding performances on a quarterly basis. At a Group level, engagement includes all of the above as well as: - CEO and CFO host bi-annual roadshows and town halls, broken down into small groups to update every employee on the Group's performance and provide the chance for Q&A and feedback. - Regular communications via video, Zoom and email with the CEO. - Employee reviews on Glassdoor. - Annual award ceremonies. We also encourage employees to regularly provide candid feedback to one another, regardless of seniority or tenure through our 'speak up' culture (see <i>Corporate Social Responsibility</i>).
What were the key topics?	• Operational and financial performance. • Group and division's vision, mission, and strategy. • Company values and purpose. • Key challenges ahead of us. • Resource planning.

	• Career opportunities, progression and personal development. • Work-life balance in the context of our 'work-hard, live well' philosophy. • Impact of COVID-19. • Anti-Money Laundering & Cyber Security responsibilities.
Outcomes	• Group performance and future strategy shared across the entire company. • FX Risk Management and Alternative Banking Solutions divisions shared their strategy and performance on a quarterly basis with their respective teams. • OKR strategic framework shared and implemented throughout the entire business. • Increased headcount in areas where teams were reporting they need more resource.

Our shareholders We value the views of our shareholders and their ability to provide capital to support our growth when we need it.	
How did we engage with them?	Our CEO and CFO held meetings with potential and existing shareholders to discuss the Groups' performance. The Group has also conducted site visits and virtual meetings with investors on an ad-hoc basis throughout the year.
What were the key topics?	• Operational and financial performance. • Strategic priorities and long-term direction. • Business model and market opportunities. • The Alpha culture. • Update on the repayment progress of our Norwegian client. • Succession planning and long-term retention of employees. • Dividend strategy. • Impact of COVID-19.
Outcomes	• Anonymised shareholder feedback received via our brokers following announcements. • More detailed trading updates provided to give investors greater insight. • Investor relations updates provided to the Board which include feedback from investors and suggestions for improving communications. • Enhancements made to the 2021 Annual Report, following investor feedback. • Updated our segmental analysis to provide greater clarity to investors. • Enhanced management information.

Our clients It is our clients that enable us to grow our business in the way we do. Understanding their needs and offering tailored solutions to support them is essential if we want to remain an organisation focused on providing high-quality solutions to high-quality businesses.	
How did we engage with them?	We gain ongoing feedback from clients through a number of means, including: telephone conversations, face-to-face meetings, independent research, and attendance and hosting of industry-related events. Members of the senior management team, including the CEO and CFO, also meet with key clients throughout the year and use this opportunity to obtain feedback on the service. Online, clients can provide feedback on specific features of our platform via a feedback form and independent feedback is also monitored and reviewed via third-party providers.
What were the key topics?	• The key problems and challenges our clients face that we may be able to support them on. • Why clients choose to work with us, what they like about our service and what they don't. • Feedback on new products and features.
Outcomes	• Implemented 'Instant Insight' surveys to invite feedback from new clients on their experience with Alpha.
	• Increasing independent third-party research in 2021 to continue deepening our understanding of clients. • Client feedback implemented into our product development roadmap.

Our business partners & suppliers Our partners and suppliers (for example banking counterparties or third-party software vendors) play a key part in enabling us to deliver a leading service to our clients by amplifying our capabilities and efficiencies.	
How did we engage with them?	We regularly keep our partners informed of our business performance through public announcements, face-to-face meetings and telephone contact. New partners are also invited to visit us at our offices to get a better feel for our culture and way of working, and we in turn also take the time to visit key suppliers.
What were the key topics?	• The business's financial and operational performance. • Strategic direction. • Key challenges we face. • Business referrals and promotional support. • Innovation and knowledge sharing. • Audit and risk committee information. • Risk, governance, compliance and AML.

Outcomes	We continue to partner with a number of high-quality organisations that understand our business and the part they play in our long-term ambitions; this enables us to remain agile as we scale whilst providing our employees and clients with leading tools and solutions. By maintaining high levels of transparency with our key counterparties in areas of risk, compliance and strategy, we also ensure they are fully onboard with the direction we are taking the business at every stage of our development.
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Our communities and the environment We value the opportunity to support organisations and causes that are important to our stakeholders and us.	
How did we engage with them?	As our business has grown, we have taken steps to look beyond our own community in order to support others. In 2021, we partnered with two incredible charities: Nerve Tumours UK and Power of Parenting. New environmental initiatives are discussed annually. For further details on initiatives in this area, please see page 38.
What were the key topics?	• How we could support the charities, both financially and in terms of raising awareness. • How we could do more for the environment.
Outcomes	• In January 2022, we became a certified Carbon Neutral company. • We raised money and awareness for our chosen charities.

BOARD DECISIONS IN 2021

The Board continued to focus on securing the long-term prospects of the business, with a particular focus on strategy and growth during FY2021.

Each Board meeting follows a tailored agenda circulated in advance to all members of the Board. The Board receives reports from the Chief Executive on the performance of the business, the Chief Financial Officer on financial performance, and an update from the Chief Risk Officer on the work of the Risk Committee. In addition to these regular matters, specific areas of focus by the Board during 2021 included:

Strategy & Business Performance

Trading Updates

- Regularly considered the trading performance of the business and reviewed and contributed to regulatory communications with the market.

Strategic initiatives

- Reviewed the Group's three-year strategy, which included receiving presentations from divisional leaders of FX Risk Management and Alternative Banking Solutions, and an away-day strategy workshop.
- Ongoing updates from divisional leaders on the progress of the strategy throughout the year.
- Agreed investment priorities across the Group.

Overseas Expansion

- Approved in principle to open offices in Italy, Luxembourg and Australia.

Operational & Financial Planning

Budgeting & forecasting

- Reviewed and approved the 2021 half year budget reforecast and the FY2022 budget.
- Considered the budget and reforecast against strategic and performance objectives and market expectations.
- Monitored and reviewed financial performance during the year through review of management accounts and KPIs, alongside presentations from Managing Directors of business units.

Dividend

- Reinstated dividend policy following a temporary pause during COVID-19, and subsequently approved payment of full and half year dividends.

Funding

- Approved the decision to acquire a long-term office lease in Amsterdam to support the expansion and culture of our Netherlands office.
- Reviewed future funding requirements and the Group's going concern assessment.

Governance & Legal

Board Appointments

- Approved the appointment of Chief Risk Officer, Tim Butters, to the Board.
- Approved the appointment of Vijay Thakrar to the Board as Non-Executive Director and Chair of the Audit Committee, following Matt Knowle's transition off the Board to Strategic Advisor.

Employee Retention

- Approved the adoption of Corporate Netherlands share scheme and revisions to Alpha Platform Solutions share scheme to amplify the company's culture of collective ownership.

Board Evaluation

- Undertook an internal Board Evaluation where a number of recommendations were suggested to enhance Board and Committee effectiveness.

Legal & Regulatory

- On the recommendation of the Audit Committee, reviewed and approved the Annual Report and Financial Statements, and the Half and Full Year Announcements.
- Monitored regulatory and legislative developments and considered any potential impact on the Group's operations.
- Approved the adoption of a European regulatory license in Malta.

Stakeholder Engagement

Employees & Culture

- Regularly engaged with divisional leaders.
- Reviewed and approved the company's Modern Slavery Act 2015 Statement for 2021/22.

Clients

- Received regular updates from the CEO and divisional MDs on client developments.

Investor Relations

- Updated the market regularly on financial performance.

Charities

- Supported the Group's involvement with its chosen charities, Nerve Tumours UK and Power of Parenting (POP).

Risk Management

Risk Committee

- The Risk Committee of Alpha FX Limited that includes the Chief Risk Officer, CEO, CFO and Compliance Director meet with the MD of FX Risk Management and MD of Alternative Banking Solutions once a month to review risk on an ongoing basis, with salient points then discussed at the PLC Board meetings.

Number of Meetings

Board	7
Audit Committee	3
Risk Committee	12
Remuneration Committee	2
Nominations Committee	2

SUSTAINABILITY

We continue to expand and advance our commitments to key environmental, social, and governance (ESG) issues.

For us, sustainable business practices aren't just about doing the right thing. We believe they can be a long-term driver of superior financial performance and make for a better-quality company and investment.

Environmental

Streamlined Energy and Carbon Reporting (SECR)

The Group is required to report under the Streamlined Energy & Carbon Reporting (SECR) framework. The Group's operations have inherently low emissions and we have attained our carbon neutral certification in January 2022 by partnering with Natural Capital Partners and offsetting our carbon emissions for 2021.

Our SECR covers the energy consumption and Greenhouse Gas (GHG) emissions for the year ended 31 December 2021. The table below shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity and business travel in both kWh and tCO₂e.

	Unit	YE Dec 2021	YE Dec 2020
Total energy use covering electricity gas, other fuels, and transport	kWh	254,576	217,481
Total emissions generated through combustion of gas	tCO ₂ e	0	0
Total emissions generated through use of purchased electricity	tCO ₂ e	52	46
Total emissions generated through use of other fuels	tCO ₂ e	0	0
Total emissions generated through use of business travel	tCO ₂ e	6	4
Total emissions generated through use of water and waste	tCO ₂ e	0.5	0.4
Total gross emissions	tCO ₂ e	59	51
Intensity ratio (total gross emissions per headcount)	kgCO ₂ e per average employee	320	378

We have selected an intensity metric based on the energy consumption per employee of Alpha Group, this is 320kg CO₂e / employee. The key driver for the reduction in the intensity ratio between 2020 and 2021 is due to the increase in the number of employees within the London head office. The office was not at full capacity in 2020 but was by the end of 2021. Over this time the emissions generated from the office space did not materially change. We will use this ratio to monitor our energy efficiency performance over time.

The Group's operations are largely limited to its offices and have an inherently low environmental impact. Nevertheless, the Group does believe in further minimising its impact where possible. Our London-based Head Office was built in 2019 with sustainability at the forefront of its design, with

water recycling and a 71% improvement in operational energy consumption over a standard office fit-out.

We have a mostly paperless marketing model, and our people endeavour to separate waste and recycle all office supplies where possible. Other steps we have taken include: automating office lights to turn off when not being used, zero use of plastic cups, and introducing the Cycle to Work scheme to encourage environmental travel. We also carefully consider suppliers and their values before onboarding them.

SECR METHODOLOGY:

The figures quoted within this report include electricity invoices and expense reimbursement claims for business travel. Conversion factors used are taken from the 'Government conversion factors for company reporting of greenhouse gas emissions' to calculate emissions.

Carbon Neutral

We are pleased to share that from January 2022, we are a certified Carbon Neutral company, offsetting all of our carbon emissions from 2021. We have worked with Natural Capital Partners to remove the same amount of carbon dioxide we are emitting into the atmosphere to become a net-zero carbon emissions. In doing so, we have supported the Acre Amazonian Rainforest REDD+ projects in Brazil. These high-quality carbon offset projects follow an established process: the project was first validated, then registered, then periodically verified to issue carbon credits equal to the quantity of verified tonnes of CO₂e reduced by the project activities. In addition to delivering approximately 360,000 tonnes of emission reductions each year, the project delivers a number of other sustainable development benefits. These include zero hunger, no poverty and 'life on land' which protects endangered and vulnerable species.

The Amazon rainforest, 60% of which is within Brazil, makes up about half of the planet's remaining tropical rainforests. Brazil's unique environment makes it one of the world's most biodiverse countries and is the subject of significant global interest, as environmental degradation and deforestation directly impact global rates of climate change and biodiversity loss.

Carbon revenues generated by the partnership with National Capital Partners are used to finance:

- Forest protection: using physical boundaries to restrict access to forested areas, and patrols to deter destruction and monitor conservation efforts.
- Sustainable development activities: REDD+ projects often actively engage local communities to address the reasons for deforestation and improve food security, income, healthcare and education. The projects work with local community groups to restructure local economies towards sustainable land use and forest conservation.

This project supports 15 of the 17 United Nations Sustainable Development goals. The goals recognise that ending poverty and other deprivations must go together with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. 90% of Brazil's Acre state is forested, but the current rate of destruction means that by 2030 this could decline to 65%. We are delighted to be supporting such an essential project throughout 2022.

Social

People and culture

Our ability to attract, develop and retain the right people is fundamental to our long-term success. We strive to align all employees to our core purpose of 'creating an exceptional community full of opportunity that works hard but lives well.' By providing employees with the best possible career opportunities and working environment, we place their interests at the heart of our business. Employees then capitalise on these opportunities and introduce new skills and knowledge to the Alpha community, strengthening our business and driving us forward.

Our people are guided by three key qualities:

- **Hunger:** Ambition is the desire to get somewhere, someday. Hunger is knowing you can't afford to wait.
- **Humility:** Humility is knowing you're never the finished article and that no individual is more important than the team.
- **Selflessness:** Selflessness is putting your team and clients' interests before your own, in pursuit of the best overall outcome for everyone.

Speak Up Culture

We are deeply committed to fostering a truly 'fearless organisation' – a term coined by Amy Edmondson (Professor of Leadership and Management at Harvard Business School) to describe companies that create 'psychological safety' in the workplace so that employees feel both safe and valued to 'speak up'. When people don't feel they can speak up, their company's ability to innovate, learn and grow is compromised. An open and candid culture empowers people and unlocks enormous benefits for innovation, learning and even risk management.

Developing Our People

Personal development is an intrinsic part of our high-performance culture. We are passionate about providing all our employees with the support and tools to maximise their potential and elevate themselves and the company. In 2021, we settled on our definition of a high-performance culture – 'a place where **everyone's** getting better'. It is a simple statement but an incredibly ambitious one. There is no destination with this; it is an ongoing, never-ending pursuit, but one that precisely encapsulates the reason we are here.

Our community and the principle of 'surrounding great people with great people' plays a big part in everyone's personal development. Fundamentally, we believe that high-performing people develop organically when in a highly collaborative and compassionate environment: they are self-improving and self-managing through experience, observation, reflection, reading and discussion. To support this development style, we work hard to foster an environment built around collaborative mentorship: one where everyone at Alpha has the opportunity to develop and be developed by other people. We typically allocate mentors to new starters to support them during their first year at Alpha. This helps new employees integrate with their colleagues and better understand how to make the most of Alpha's unique culture.

Our flat hierarchy means that everyone sits amongst one another, while our 'speak up' culture ensures individuals are just as likely to give candid feedback to one another on how to improve. Meanwhile,

collective ownership ensures people are generous with their time: everyone is invested in the company's long-term growth and recognises one another's development is key to it.

This year we began working with Ceri Evans, a high-performance coach and clinical psychologist whose client base includes the likes of the New Zealand All Blacks. His knowledge and coaching have shaped how we discuss personal performance across the business and enhanced our culture. The senior leadership team has participated in several high-performance workshops led by Ceri Evans and is now translating these learnings into their coaching style with their teams.

We're proud to invest in external training and qualifications wherever it's relevant to a person's role, with a number of our staff undertaking company sponsored qualifications each year.

Our international expansion and ongoing growth also provide employees with exciting opportunities to work in new marketplaces and quickly increase their responsibility and move up the learning curve.

Health & Wellbeing

'Work hard, live well', is a vital part of our purpose. It emphasises that to sustain our high performance, we must look after our wellbeing and help employees find the optimum work-life balance whilst pursuing exciting career opportunities.

One of our key improvements in 2021 was increasing our maternity and paternity package and providing greater support to people transitioning on and off leave. Beyond this, we continue to provide an autonomous and trusting environment so that employees feel empowered to take the time out to do things like, go to the gym during the working day or leave early to spend time with family. Our head office was shortlisted for a number of design awards for its focus on providing a space that has a tangible impact on the day-to-day lives of the people who occupy it. From height-adjustable desks, to having a private gym (staffed by a personal trainer), it is an environment that strives to support a healthy way of life and prioritises employee wellbeing.

We have continued to support our team throughout the COVID-19 pandemic. In a remote-working world, our culture team created online workshops and activities to keep the company connected when we were all forced to be apart.

Diversity and Inclusion

We are committed to ensuring our workplace is equal, diverse and inclusive. We operate a true meritocracy, recruiting and promoting staff based on their attitude, skills and experience. We do not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender or any other criteria. We also believe gender diversity within the financial services industry has considerable room for improvement, and at Alpha, we are focused on changing this.

Headcount by Gender as of 31 December 2021	Female	Male
Employees	70	144
Senior Management	10	26

Charitable Support

In 2019, we decided we would support a new charity partner each year. Although there are many incredible, well-known organisations, we endeavour to support smaller, less well-funded organisations. As Alpha was not too long ago a small organisation itself, we understand the life-changing impact that can come from being recognised and supported, as our first clients did for us.

Alpha's chosen charities for 2021 were Power of Parenting ('POP') and Nerve Tumours UK.

POP supports children and young adults who have been in the foster care system and provides crucial financial, educational, health and mental wellbeing support via funding, workshops, and tutoring. POP was nominated by Dan Adams, Alpha's Dealing Director, who is a Trustee of the charity alongside his father who founded the organisation. One of POP's goals has been to launch their own contact and support centre, which financial support from Alpha has supported.

Danielle Langley, Head of Settlements nominated the organisation Nerve Tumours UK. Nerve Tumours UK provide crucial support to people in the UK who are born with neurofibromatosis (NF) - a genetic disorder that has a major impact on the nervous system and leads to tumour formation.

To support these incredible organisations, we have hosted: internal fundraising events, sporting events, celebrations for national holidays, cake sales, and taken part in a sponsored half marathon.

CFO REPORT

In the year ended 31 December 2021 revenue increased by 68% over the prior year to £77.5m with strong growth across all divisions. In the segmental analysis in note 4, which is primarily based on legal entities, the Group additionally segments the revenue between FX Risk Management and Alternative Banking Solutions to reflect the two main drivers of growth.

The FX Risk Management division focuses on supporting corporates and institutions that trade currency for commercial purposes through the Group's sales teams located in London, Toronto and Amsterdam. Revenue grew by 43% over the prior year to £57.0m with strong growth across all regions.

Alternative Banking Solutions revenue grew substantially from £6.4m in the prior year to £20.4m in 2021. The revenue includes £1.1m (2020: £nil) relating to the recharge of bank fees incurred by the Group on Euro E-money wallet balances which attract a negative interest rate, with the cost being directly passed to the client. As account fees are a growing revenue stream within the Group, management has reassessed revenue recognition relating to account fees. As a result, in 2021, revenue from annual account fees is recognised on a straight-line basis over the 12 months from the date the account was opened (see note 2 of the Financial Statements). At 31 December 2021 there was £2.2m of deferred revenue that will be recognised in the Statement of Comprehensive Income for 2022.

As shown in note 4 of the Financial Statements, total revenue from hedging products (forwards and options) has increased against the prior year from £27.5m to £40.7m. The revenue from forward transactions represents the difference between the rate charged to clients and the rate paid to banking counterparties. There were no structural changes in forward commission rates in the year in comparison to the prior year. Spot revenue increased from £14.7m to £26.1m due to the growth of Alpha Pay, a branch of Alpha FX Limited (formerly Alpha Platform Solutions), together with increased spot flow from the Institutional business, where underlying activities mean that spot transactions are more common.

In the prior year the Group entered into a settlement agreement with a Norwegian client whereby weekly repayments are due until June 2022 in respect of their obligations for unpaid margin totalling £30.2m. Throughout the current year the client has continued to meet their settlement agreement cash repayment obligations on time with a gross balance of £6.4m outstanding as at 31 December 2021.

As we continue to receive the weekly repayments from the Norwegian client, our results have benefited from the reversal of two accounting provisions. In the year ended 31 December 2021 the reversal of these two accounting provisions totalled £0.7m and can be broken down as follows:

- A provision for the estimated probability of default which reduced by £0.2m in the year ended 31 December 2021, with the credit included in operating expenses.
- A provision representing the difference between the nominal value of future payments and their net present value which reduced by £0.5m in the year ended 31 December 2021, with the credit included in finance income.
- The total of the outstanding provisions remaining as at 31 December 2021 was £0.1m.

Bad debts are expected to occur from time to time and are an inevitable part of Alpha's trading model, as the Group takes a risk-based approach that balances revenue opportunities against the

risk of default. As described in note 5, the Group incurred a bad debt expense of £2.9m in the year in respect of two clients with sterling/euro and US dollar/Canadian dollar contracts that were unable to meet their obligations and subsequently entered administration.

Underlying profit is presented in the income statement to allow a better understanding of the Group's financial performance on a comparable basis from year to year. The underlying profit excludes the impact of share-based payments, and on this basis, the underlying profit before tax in the year increased by 91% to £33.4m. Statutory profit before tax increased by 94% to £33.2m.

The year ended 31 December 2021 was another year of significant investment. Overall headcount increased in the year from 147 to 214 at 31 December 2021 to support future long-term growth. Despite this investment and the impact of the recharge in bank charges of £1.1m being included in revenue as explained above, the underlying profit before tax margin increased to 43% (2020: 38%). This was in line with the statutory profit before tax margin of 43% (2020: 37%).

Taxation

When planning for the possibility of a no-deal Brexit and in response to the limited scope covering financial services within the Free Trade Agreement, we opened a wholly-owned subsidiary established in Malta in March 2021. This has ensured that we can continue to service all clients without disruption both now and in the future. As a result, a number of clients have been transferred from Alpha FX Limited to Alpha FX Europe Limited in Malta which has crystallised a tax charge of £0.9m within the UK for the transfer of business. This one-off tax charge is included within taxation in the year ended 31 December 2021 and has resulted in the effective tax rate increasing from 19% in the prior year to 22%.

Earnings per share

Underlying basic earnings per share increased in the year to 58.3p (2020: 32.8p) whilst basic earnings per share were 57.7p (2020: 31.7p).

Key performance indicators

The Group monitors its performance using several key performance indicators which are reviewed at operational and Board level. The key financial performance indicators are revenue, underlying profit before tax margin, number of clients and number of Front Office staff.

Balance sheet

Overall net assets of the Group increased in the year by £19.2m to £109.8m. In the prior year the Group completed a share placing by the issue of 2,941,177 new shares raising £19.2m after expenses.

Cash flow

In the year ended 31 December 2021, 59% of the revenue in the year was derived from products where the revenue is converted into cash within a few days of the trade date, as opposed to 51% in FY 2020. This has continued to have a positive impact on the Group's cash flow.

On a statutory basis, net cash and cash equivalents increased in the year by £25.1m to £108.0m. The Group's cash position can fluctuate significantly from period to period 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, (see page 89) the Group presents an adjusted net cash summary below which excludes the above items.

In the year ended 31 December 2021 adjusted net cash on this basis has increased in the year by £35.9m to £88.2m. This increase represents the net impact of the cash conversion from the trading in the year together with the cash inflow of £13.8m from the client subject to a repayment plan.

	31 December 2021 £'000	31 December 2020 £'000
Net cash and cash equivalents	108,044	82,972
Variation margin paid to banking counterparties	8,380	17,734
	116,424	100,706
Margin received from clients and client held funds*	(34,259)	(50,767)
Net MTM timing loss from client drawdowns and extensions within trade receivables	6,025	2,332
Adjusted net cash**	88,190	52,271

* Included in '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

Dividend

Following the strong full year results, the Board is pleased to declare a final dividend of 8.0p per share (2020 – 8.0p). Subject to shareholder approval, the final dividend will be payable to Shareholders on the register at 19 April 2022 and will be paid on 13 May 2022. This represents a total dividend for the year of 11.0p per share (2020: 8.0p).



Tim Kidd

Chief Financial Officer

RISK MANAGEMENT

Our approach to risk management

We remain firmly focused on identifying and understanding our key risks and embedding our risk management framework across the business, ensuring strong oversight and accountability. We continue to invest in risk infrastructure to provide better insight into our credit, liquidity, and operational risks, including information security.

Headcount across the risk and control functions continues to grow in line with the business to provide control, oversight and monitoring, with several key experienced hires made. In 2021 the Board approved the appointment of a Head of Internal Audit to ensure we have a robust three lines of defence model in place.

We adopt a 'lines of defence' model to manage our principal business risks, in line with enterprise risk management best practices.

This is complemented by annual external audits across (i) Compliance AML, (ii) Information Security, (iii) Settlements/Finance & (iv) Technology. The Risk Committee decides quarterly whether any additional audits should be scoped. Where appropriate, insurance policies will be used to reduce further the impact of risks manifesting as losses.

Risk appetite

Our risk appetite ensures the ongoing monitoring and managing of prudent levels of risk and regulatory capital whilst enhancing shareholder value. Our risk appetite is articulated through a series of qualitative statements (risk appetite statements) supported by quantitative measures (Key Risk Indicators) containing risk limits and thresholds. These provide clarity on the scale and type of activities we wish to undertake.

To stay within our appetite, we always observe a compliant legal and regulatory regime whilst applying best practices, including:

- Creating a clear framework of accountability and responsibility that is transparent and allows for better decision-making.
- Recognising that our two divisions face different and common risks and will therefore set policies, procedures, and the necessary reporting mechanics to ensure and validate that risks are understood, monitored, managed and controlled.
- Recruiting, retaining and developing our people to embed a culture that reflects the risk appetite.

The Board has set a two-tiered limit approach. Amber thresholds represent risks that are elevated and approaching appetite, allowing for early identification of risks that are regularly occurring or picking up velocity. Red thresholds are set to appetite; a level of risk in excess of these is seen as 'out of appetite' and reportable to the Group Board.

Enterprise risk management framework

Our enterprise risk management framework provides assurance to the Board on the effectiveness of the internal controls and sound management of existing and emerging risks. We continue to strengthen our controls testing framework, with key controls frequently tested to assess their design and operational effectiveness. This gives us a more proactive approach to risk management and control testing, with the results of the assessments reported to the Risk Committee ensuring clear accountability for the firm's key controls.



1. Risk is a core consideration when setting the strategy and business plans.
2. Our risk appetite is approved by the Board and clearly articulated to the business.
3. Key Risk Indicators determine risk profile which measures whether we are operating within appetite.
4. Clear accountability for risk is set and embedded into the firm's culture. Governance forums are in place to oversee risks.
5. Policies are used to manage individual risks and to assign accountability.
6. Departmental risk assessments are run regularly to identify new and review existing risks. Risks are impact assessed at an inherent and residual level using the Alpha Risk Assessment Methodology. Thematic and product-based reviews are performed where a gap is identified. Risk events are raised and linked to the risk register, new risk events may identify emerging or uncaptured risks.
7. Key controls identified during the risk assessment are tested for effectiveness. Controls that are found to be partially effective or ineffective require action plans to improve efficiency.
8. Risks are regularly reported on. Reporting provides oversight of the firm's risk profile against appetite and identifies new risks or increasing exposures that may become out of appetite. Daily scenario testing ensures appropriate management of liquidity and credit risk.

Oversight

Oversight of the risk management framework is governed by the Alpha FX Ltd Risk Committee under delegated authority from the Board. The Risk Committee, chaired by the CRO, meets monthly and all Executive Directors are members and regular attendees. The Plc Board receives regular updates of key matters arising.

PRINCIPAL RISKS

We assess, manage and mitigate risks in order to deliver on our purpose and strategy.

The risks below do not purport to be exhaustive, and there may be additional risks that materialise over time that we have not yet identified or deemed to have a potentially material adverse effect on the business.

RISK	RISK MITIGATION	CHANGE YoY	RATIONALE FOR CHANGE
CYBER AND DATA SECURITY Security is a vital part of Alpha's fabric and is integral to ensuring the sensitive data we process on behalf of our clients maintains confidentiality, integrity and availability. The Group faces the risk of its operating systems failing, as well as the failure to safeguard the business-critical data and systems against information security risks. As a result, the Group may become unable to carry out its business activities resulting in a financial and reputational loss, as well as the potential for regulatory sanctions.	- We have hired a Head of Cyber security with over 20 years' experience to oversee and enhance our protections. - We have undertaken a purple team exercise and review of our security controls, supported by a leading security consultancy. - Continual platform testing through the Hacker One bug bounty program. - A combination of measures including: security by design, next-gen network appliances, segregated network architecture, physical security, and a comprehensive Security Awareness & Training program, ensures our clients' data is protected. - Our core infrastructure leverages cloud-based security services and we take a multi-layered defence-in-depth approach to security. - The Information Security Working Group ensures key risks are identified and remediated to within appetite. - Training/awareness in response to the sophistication of phishing campaigns has been stepped up. - We have a comprehensive Cyber insurance policy in place.		- Whilst our control environment continues to strengthen, cyber risk and attacks are increasing globally. As Alpha's footprint grows so will our exposure to cyber threats.
REGULATORY RISK The Group faces the risk of failing to adhere to its regulatory and legal requirements. Failure could see the Group exposed to significant	- The Group maintains robust policies and procedures, systems and controls, and monitoring and assurance programs to ensure continued compliance with its regulatory obligations.		- As we continue our geographical expansion the regulatory risk grows. However, we have a scalable

regulatory penalties and reputational damage. Additionally, any new regulation or changes to existing regulation may require the Group to increase its spending on regulatory compliance and/or change business practices.	- Alpha has strong relationships with best-in-class financial crime consultancies who we utilise to provide independent advice and assurance on our compliance processes. - Independent external audits are conducted on our AML and safeguarding processes and controls. - The Group has integrated with several RegTech providers to ensure we have the best and most innovative tools at our disposal. - The compliance team continued to appropriately increase its headcount in 2021 to accommodate regulatory and business needs. - The Group has allocated dedicated technology resource to support and continuously improve infrastructure to ensure adequate levels of transaction, account and risk monitoring. - Our Maltese E-money and investment licenses ensure we can continue to offer a high level of service to our European client base.		regulatory framework and work with industry bodies and local advisers to ensure we adhere to regulation. - The new prudential regulation (IFPR) has added to regulatory change risk for 2022.
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 the incorrect inputting or execution of a trade or settlement, as well as internal fraud.	- A firmwide risk and control self-assessment is conducted on each department at least twice a year to identify all operational risks at an inherent and residual level. - Alpha has a clear control framework in place and key controls are regularly tested for effectiveness. - The Group maintains a strict division between Front and Back Office functions to ensure Back Office remains independent and attentive to any errors that Front Office may have caused. - Internal fraud is minimised through: investment in compliance resources and functions, pre-employment screening of all employees, maintaining strict delegated authority limits, segregation of duties, and regular monitoring and oversight across different management functions. The Group also has		- The decentralisation project has meant that systems have been separated and rebuilt with new controls embedded. - Continual enhancement of the control environment through control identification and testing.

	comprehensive insurance policies to partially indemnify against the risk of fraud from an internal member of staff. - The Group continues to invest and focus on retaining a scalable operating model, with a particular ongoing focus on automation and straight-through processing to reduce operational risk further.		
STRATEGIC RISK Risk is inherent in any strategy. To ensure we execute we need to understand and actively manage our strategic risks.	- The Group holds strong, transparent relationships with multiple banking partners and remains aligned on risk appetite. - A people resiliency/succession plan is in place. - The Group has a comprehensive key person insurance policy in place. - All key management have entered into contracts that provide appropriate notice periods for the Group's protection - Our value proposition relies on intelligent human interaction, not just great processes, and technology, which significantly reduces the risk of margin compression and copycat competitors. - The Group focuses on ensuring reputational risks are identified and remedied, where possible. - Regular and open dialogue between Execs and Non-Execs at the Plc Board level on execution risk and Group strategy occurs before moving into new markets. Alpha's Board has extensive experience in entering new markets and scaling businesses, which it applies when considering new opportunities. - The Group has a strong track record of expanding successfully into new geographical markets and draws upon its experience and lessons learned when considering new opportunities.		N/A
CREDIT RISK	- A dedicated credit team with significant experience reviews all credit lines before they are given and conduct ongoing reviews.		- The world is still coming out of the global pandemic.

Credit risk is inherent in Alpha's business model. The Board accepts that credit losses are a function of our trading, and we take a risk-based approach to balance revenue opportunities against the risk of default. Alpha is exposed to credit risk if a client fails to deliver currency at maturity of the contract and/or fails to deposit margin when a margin call is made. Alpha's credit risk is equal to the negative fair value of the contract at the time of cancellation.	- Alpha assesses clients' creditworthiness and establishes credit limits when extending hedging facilities, which are reviewed by senior management according to thresholds set out in a delegated authority matrix. - A credit policy is in place to mitigate any potential losses arising from a client failing to settle; Alpha maintains limits which when exceeded, enable it to request a deposit (known as margin call) from clients, minimising its credit exposure. - Alpha conducts ongoing stress testing of its credit book to simulate stressed market conditions using the newly implemented analytics system. - Second-line oversight of credit exposures and policy adherence by the Risk team. - Headcount in the credit team has increased with support now also located in Canada. - Risk and escalation thresholds in place for large exposures. - Top client concentrations are monitored and disclosed on our website.		- We are moving out of a supported low interest rate environment. - There is growing geopolitical risk globally.
DISPUTE RISK Whilst a client may not default on a contract, they may dispute its validity. As our global footprint expands into new jurisdictions, we are aware this risk may increase.	- All trades have evidence attached through the system. - All derivative trades are 'belt and braced' by the compliance team. - All large credit lines are 'belt and braced' by the credit team, ensuring credit agreements are signed correctly, and credit terms have been correctly communicated with the client. - The risk team control tests the above processes to ensure they are operating effectively. - Compliance Monitoring Analyst samples a percentage of all trades to ensure all documents are correct and present and evidence is attached to trades.		N/A

TECHNOLOGY RISK Technology now underpins most businesses. A failure in our technology would disrupt our own business and our clients.	- A rebuild of our tech platform has removed technical debt. - Stringent release and change management processes in place. - In the event of an outage, BCP (Business Continuity Plan) runbooks containing detailed continuity measures have been developed. - Dedicated Technical Operations team in place who manage our estate. - Policies and technical standards are in place. - Our critical platforms are hosted in the cloud with resiliency built-in.		- Rebuild of tech platform ensuring stability and scalability.
LIQUIDITY RISK Alpha operates a matched-principal brokerage model, meaning that it immediately executes a matching trade with its banking counterparties on receipt of client orders. Liquidity risk arises if Alpha is unable to meet its financial obligations when they fall due. This could result from an overextension of credit facilities or a large move in a currency pair that Alpha has a large exposure to. If Alpha were unable or restricted to meet its trading capital requirements this could result in its banking counterparties closing out positions or even terminating the financing facilities currently provided.	- Alpha's terms of business enable us to collect margin from clients in response to adverse market moves (margin calls). - Alpha benefits from netting; Alpha is called to place margin from its banking counterparties on a netted currency pair basis whereas it can call its clients for margin on a gross basis. - Key risk indicators act as an early warning system to alert the Alpha FX Ltd board and the Alpha FX plc board to conditions that could potentially lead to a period of stretched liquidity. - Cash conversion has been improved by a higher proportion of the Group's revenue being derived from products that are immediately convertible to cash. - The Senior Management team reviews forecasts and actual cash flows regularly to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. - We perform liquidity analysis at a net currency and FX cross basis, including client margin call versus bank margin call to identify shortfall.		- Our cash position has further increased, driven by an improved cash conversion and profitable trading. - Further modelling enhancements.

	- We run value at risk (VaR) and have moved from using the conditional value at risk (CVaR) to using the worst loss figure as our key liquidity metric. - We conduct client and overall book stress testing with circuit breakers in place. Any client whose overall exposure post 10% stress test is larger than 15% of Alpha's liquid cash position, is escalated to the Alpha FX Ltd Board for approval. Any client with a margin call exceeding 5% of Alpha's liquid cash is closed out if they do not pay margin call within their terms unless Director approval is given by a member of the Alpha FX Ltd board. - Daily insight into liquid (operational) cash with the ability to forecast bank and client margin calls. - Top client concentrations are closely monitored and are disclosed on our website.		
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.	- Ongoing internal reviews and reconciliation carried out by qualified and experienced staff members and the oversight of the Audit Committee. - Independent audit of financial statements. - The risk team tests the effectiveness of key controls in the Finance department.	➡	N/A
REPUTATIONAL RISK Alpha is highly regarded in its industry. Maintaining this reputation is important to retaining our existing clients, expanding our client base, and preserving our strong	- Alpha's strategic risk register identifies reputational risks and the mechanisms we have in place to control them. - Ownership of Strategic risk is assigned to individual Board members of Alpha FX Limited. - Strong composition of plc Board members.	➡	N/A

relationships with our banking partners. There is a risk that an unforeseen event may adversely affect Alpha's reputation, impacting future profitability.	- Good marketing and communication strategy. - Strong cultural values and risk culture. - High-quality and open public reporting. - We maintain an open and proactive dialogue with our banks and the regulators to provide high levels of transparency and comfort. - We have a contract with ZeroFox who provide an impersonation website flagging and takedown service.		
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BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

Morgan Tillbrook

Appointed: 2009

Morgan founded Alpha back in 2009 with no previous experience in financial services. Since then, his vision and leadership have helped to establish Alpha as a global leader of enhanced financial solutions for corporates and institutions, whilst providing a platform for ambitious people to realise life-changing career opportunities.

His raw honesty, passion and belief have been integral in cultivating Alpha's entrepreneurial culture and impressive organic growth.

Morgan is also a member of the Chartered Institute for Securities and Investment.

Maintaining Skill Set: As Chief Executive Officer of a regulated and high growth FX solutions business, Morgan's experience is kept up to date by nature of his day-to-day role. He also attends a variety of meetings and events to support his personal development and is an avid reader of self-development literature.

Committee Membership: Nominations Committee member

CHIEF FINANCIAL OFFICER

Tim Kidd

Appointed: 2016

Tim has over 25 years' experience in Finance, including as EMEA CFO of FTSE listed ICAP plc, where he worked for over 16 years through its rapid growth. Leading and advising on several key acquisitions, he then spent several years as EMEA CFO for private equity backed FiveTenGroup. Tim is also a Chartered Accountant and is regularly involved with local charities.

Maintaining Skill Set: As CFO of Alpha FX, Tim keeps his skills and experience up to date by nature of his day-to-day role. Furthermore, as a Chartered Accountant he undertakes Continuous Professional Development (CPD) training, alongside a variety of technical courses and subscriptions to professional publications.

Committee Membership: NA

CHIEF RISK OFFICER

Tim Butters

Appointed: 2021

Tim joined Alpha in 2019 with over 15 years' experience in risk management, including as Head of Risk at World First, the global payments provider, and Mako Trading, a leading derivatives market maker. Beginning his career at Mitsubishi UFJ Securities, Tim has experience across both financial and non-financial risk and is Certified by the Global Association of Risk Professionals having achieved their FRM designation.

Maintaining Skill Set: Tim's experience is kept up to date by the nature of his day-to-day role. He is a member of the Global Association of Risk Professionals and undertakes regular CPD training.

Committee Membership: Risk Committee Chair

NON-EXECUTIVE CHAIRMAN

Clive Kahn

Appointed: 2017

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 takepayments LTD, a payment solutions business. Clive is also a Chartered Accountant.

Maintaining Skill Set: As Chief Executive Officer of a regulated and high growth payments business, Clive's skills and experience are kept up to date by nature of his current role. He also attends a variety of skill-focused conferences.

Committee Membership: Nominations Committee Chair, Remuneration Committee member, Audit Committee member.

NON-EXECUTIVE DIRECTOR

Lisa Gordon

Appointed: 2017

Lisa has over 25 years' Board experience in Executive and Non-Executive roles at both listed and private companies. She began her career as an equities investment analyst and subsequently spent many years in strategy and business development roles in the media and technology sectors.

Lisa currently holds a number of Non-Executive positions which include Chairman, Cenkos Securities Plc; Senior Independent Director, M&C Saatchi Plc; Non-Executive Director, Magic Light Pictures, and Adviser, Edge Investments, a Private Equity firm specialising in the creative and technology industries.

Maintaining Skill Set: Lisa's skills and experience are kept up to date by nature of her current roles. She also attends numerous NED CPD training events and professional seminars.

Committee Membership: Chair of Remuneration Committee, Audit Committee member, Nomination Committee member.

NON-EXECUTIVE DIRECTOR

Vijay Thakrar

Appointed: 2021

Vijay is a Chartered Accountant with extensive strategic, commercial and governance experience with fast growth listed companies, and was previously a Partner at EY and Deloitte, chairing Deloitte's mid cap listed companies' practice. He has served on various Boards as a non-executive, including The Quoted Companies Alliance and Quorn Foods. Vijay is currently Chairman of The Alumasc Group plc and a Non-Executive Director at Treatt plc (Audit Committee Chair) and at RSM Group (Remcom Chair). He is also a member of the Audit & Risk Committee of John Lewis Partnership.

Maintaining Skill Set: Vijay stays up to date by virtue of his roles and CPD that he continues to undertake, including attendance on various update webinars and training events.

Committee Membership: Chair of Audit Committee; Remuneration Committee member, Nomination Committee member.

CORPORATE GOVERNANCE STATEMENT

The Board recognises the value and importance of high standards of corporate governance and ensuring that all of its practices are conducted transparently, ethically and efficiently.

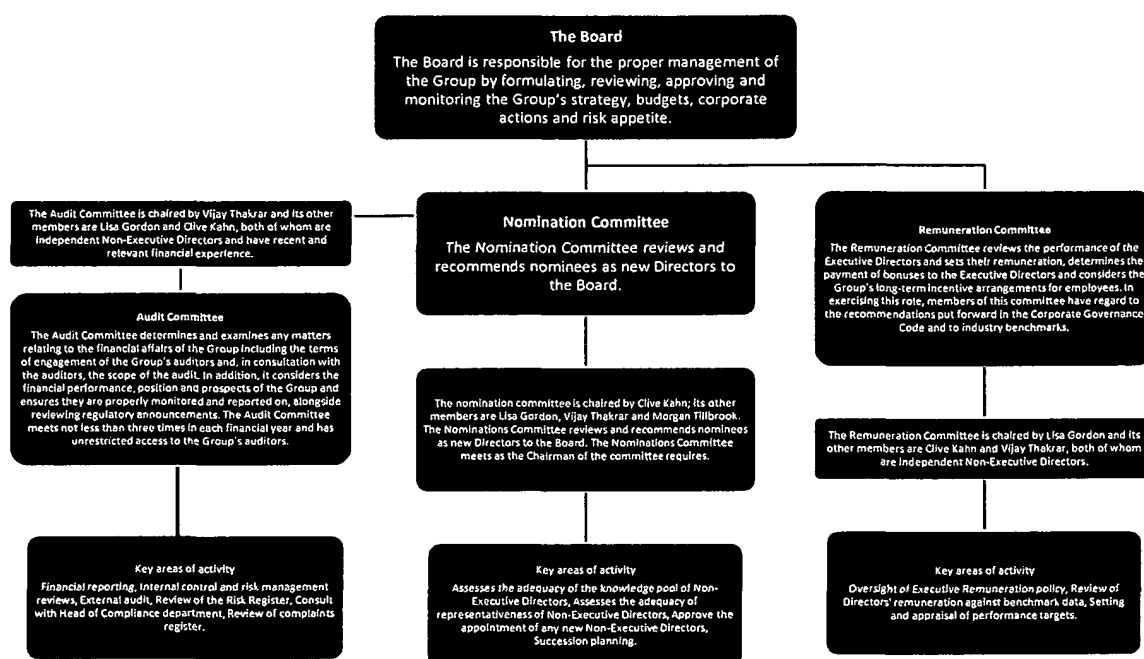
QCA Code Compliance

In compliance with the AIM Rules for Companies, we have chosen to formalise our governance policies by complying with the QCA Corporate Governance Code (the “QCA Code”). The table below outlines the ten principles of the QCA Code and highlights where our compliance is detailed in this report.

	Governance principles	Relevant sections of the annual report
1	Establish a strategy and business model to promote long-term value for shareholders.	Company Overview Business Model pg 15 Strategic Review pages Our Strategy pg 17
2	Seek to understand and meet shareholders needs and expectations.	Engaging with our stakeholders (s172) pg 31 Corporate governance statement Shareholder Communications pg 62
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Engaging with our stakeholders (s172) pg 31 Corporate governance statement Other Stakeholders pg 62
4	Embed effective risk management, considering both opportunities and threats, throughout the entire organisation.	Strategic Review Principal Risks & Uncertainties pg 48 Corporate Governance Statement Internal Controls & Risk Management pg 62
5	Maintain the Board as a well-functioning, balanced team led by the Chair:	Board of Directors pg 55 Corporate Governance Statement Board Composition pg 59
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Board of Directors pg 55 Corporate Governance Statement Board Effectiveness pg 61
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Corporate Governance Statement Board Effectiveness pg 61 Remuneration Committee Report Remuneration Policy pg 63
8	Promote a corporate culture that is based on ethical values and behaviours	Corporate Governance Statement Business Culture, Behaviour & Ethics pg 61 Company Overview Business Model pg 15 Strategic Review Our Strategy pg 17
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Corporate Governance Statement pg 58 Remuneration Committee Report pg 63 Audit Committee Report pg 67
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Corporate Governance Statement pg 58 Engaging with our stakeholders (s172) pg 31 Further information is also published on our website: alphafx.co.uk/investors

Further information on Alpha’s corporate governance can be found on our website.

OUR GOVERNANCE STRUCTURE



Board Composition

The Board is responsible to shareholders for the successful stewardship of the Group and sets the Group's strategy for long-term success. It is important that the Board itself contains the right mix of skills, experience and knowledge in order to deliver the Strategy of the Group. As such, the Board comprises three Executive Directors and, including the Chairman, three independent Non-Executive Directors. The Board considers that Clive Kahn (acting as Chairman), Lisa Gordon and Vijay Thakrar are independent within the meaning of the UK Corporate Governance Code. Vijay Thakrar joined the Board during the year as a new independent Non-Executive Director and Tim Butters (Chief Risk Officer) joined the Board as an Executive Director.

The Chairman and Chief Executive have distinct roles. The Chairman's primary responsibility is the delivery of the Group's corporate governance and the effective operation of the Board of Directors, whilst the Chief Executive is responsible for the operation of the Group in order to deliver on its strategic objectives. The Chairman has a clear separation from the day-to-day business of the Group which allows him to make independent decisions.

The Board believes the size and composition of the Board is appropriate given the size and stage of development of the Group and, as per the individual biographies, that the Directors bring a desirable range of skills, experience, personal qualities, and capabilities in light of the Group's challenges and opportunities, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. All Board Directors are subject to election at their first Annual General Meeting and to re-election annually thereafter.

How the Board Operates

The Board maintains a flexible, efficient and effective management framework within an entrepreneurial environment, aiming to deliver long-term growth for shareholders. Matters reserved for the attention of the Board which are reviewed annually include:

- Oversees and monitors strategy
- Structure and capital
- Financial reporting and controls
- Risk management and internal controls
- Regulatory reporting and controls
- Significant contracts
- Investment in new businesses
- Commitment to material expenditure
- Senior management succession
- Shareholder communication
- Board membership and other appointments
- Remuneration of Senior Management
- Delegation of authority
- Corporate governance

Board Meetings

The Board held seven scheduled Board meetings during the year, alongside another six unscheduled meetings to approve trading updates and RNS announcements. Non-Executive Directors also communicate directly with Executive Directors and Senior Management between formal Board meetings.

The Chairman and the CFO plan the agenda for each Board meeting in consultation with all other Directors. The agenda is issued with supporting papers ahead of the Board meetings, along with appropriate information required to enable the Board to discharge its duties.

Directors are expected to attend all Board meetings, and the Committee meetings on which they are members. The table below shows Director's attendance at scheduled Board and Committee meetings during the year. The Nominations Committee met twice during the year concerning the appointments of Vijay Thakrar and Tim Butters to the Board.

	Board	Remuneration Committee	Audit Committee	Nominations Committee
Schedules meetings	7	2	3	2
Clive Kahn	7/7	2/2	3/3	2/2
Lisa Gordon	7/7	2/2	3/3	2/2
Vijay Thakrar	4/4	1/1	2/2	1/1
Morgan Tillbrook	7/7	2/2	3/3	NA
Tim Kidd	7/7	NA	NA	NA
Tim Butters	2/2	NA	NA	NA

Board Effectiveness

At the current stage of the Group's development, assessment of the Board's performance and that of its committees is undertaken by the Board as a whole, led by the Group's Chairman.

In October 2021 a formal board effectiveness review was carried out, led by the Chairman. The review focused on the effectiveness of the Board across several key areas, including the Group's strategy, culture, values, ethics, ESG policy, risk management, shareholder engagement, corporate governance, as well as the effectiveness of the Remuneration Committee, Audit Committee and Nominations Committee. The review highlighted the Board's strengths across these areas and recommended some minor actions that the Board could take in 2022 to further enhance its effectiveness. Some of these actions included the Non-Executive Directors spending more time with the senior management team to gain assurance on management team resilience, as well as holding Board meetings in the Group's international offices on a rotational basis to obtain greater visibility on the operations in each of the different offices. The method of assessing Board effectiveness and performance will be reviewed on a continuing basis and supported by an externally led review every three years.

The skills, experience, personal qualities and capabilities of the Board are outlined in their biographical details on page 55. Their experiences and characteristics give them the ability to deliver and challenge the Group's strategy for the benefit of its stakeholders. The Board keeps succession planning under review and monitors the progress and success of the development plans which have been established for relevant employees, with a particular focus on ensuring, over time, all senior management positions have at least one internal successor. The Nominations Committee also monitors the length of tenure of the Chairman and Non-Executive Directors and the mix and skills of the Directors.

Business Culture, Behaviours and Ethics

The Group has a clearly defined vision, mission and purpose along with key behaviours and business principles. It is our belief that Alpha's unique culture supports the Group's objectives, strategy and business model. As a founder-led business, the Group has always hired within its image, attracting and retaining people who share the Alpha culture. As it continues to scale, the Group sees retaining its culture as key to maintaining its high performance and delivering on its objectives, strategy and business model.

The Group is committed to ensuring that Alpha operates according to the highest ethical standards for which the Board has primary responsibility. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people. The Directors have responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity and undertakes reviews of its employees regularly. In addition, the Group has a formal Bribery and Anti-Corruption Policy and a Share Dealing Code.

Time Commitments

The Directors recognise the need to commit the time necessary to fulfil their roles. This requirement is included in their letters of appointment. The Board is satisfied that the Chairman and Non-Executive Directors are able to commit sufficient time to the Group's business. There has been no significant change in the Chairman's time commitments since his appointment.

Internal Controls & Risk Management

The Board has ultimate responsibility for the Group's internal control and risk management processes, all of which are designed to manage and mitigate risks that may undermine the Group's strategic objectives. Such systems can only provide a reasonable but not absolute level of 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.

Shareholder Communications

The Directors are conscious of their duty under section 172 of the Companies Act 2006 to have regard to stakeholder interests when discharging their duty to promote the success of the Company for the benefit of its members, and will continue to assess and evolve the effectiveness of its engagement with all stakeholders (see more on page 31).

Alpha is committed to ensuring appropriate communication and reporting structures exist between the Board and its existing and potential shareholders. The Group maintains communication with both current and potential institutional shareholders through one-to-one meetings with Executive Directors, particularly after the publication of interim and full year results, as well as ad-hoc meetings and conference calls.

Private shareholders are encouraged to attend the Annual General Meeting at which the Group's activities are considered and questions answered. Any material presented (including the results of shareholder votes) is uploaded to the Group's website where it is available to all shareholders. The Group's website has a dedicated investor page which contains the latest information including the most recent results.

Other Stakeholders

The Board believes that the Group's other key stakeholders are the Group's staff and its corporate clients from which it generates revenue. Given the size of the Group, strategic matters relating to staff and corporate clients are dealt with at Board level.

Employees are also encouraged to openly provide feedback on a regular basis to all other members of staff (regardless of seniority and tenure) through a performance management principle known as 'radical candour' and by utilising internal communication platforms throughout the Group. Seeking and providing feedback to others is a key part of the Alpha culture, and as a result, feedback is habitually sought from clients, suppliers and counterparties in order to ensure the Group is continually improving the quality of its service and relationships.

Annual General Meeting

The Group's Annual General Meeting (AGM) will take place at 9:00am on 5 May 2022. The Notice of AGM and explanatory notes on all resolutions are provided alongside all copies of the annual report mailed to shareholders. Digital copies are also available to view via the Group's website.

REMUNERATION COMMITTEE REPORT

I am pleased to present the 2021 remuneration report, which sets out the remuneration policy and the remuneration paid to the Directors for the year.

Alpha FX Group plc is listed on the Alternative Investment Market (AIM) and, as such, in the interests of transparency, the following disclosures are prepared on a voluntary basis for the Group.

Remuneration Committee

Details of the Remuneration Committee are provided in the Corporate Governance Statement.

Remuneration Policy

The Group's policy is that the Executive Directors' remuneration package should be sufficiently competitive to attract, retain and motivate those Directors to achieve the Group's objectives without making excessive payments. Remuneration is reviewed each year in light of the Group's business objectives. The Remuneration Committee's intention is that remuneration should reward achievement of objectives and that these align with shareholder's interests over the medium-term. Remuneration consists of a basic salary, performance-related bonus, long-term incentive plan and pension contributions.

Performance-related bonuses are based on achievement of the Group's budget for both revenue and profit, both of which are key KPIs for the Group. The Committee ensures that the balance between fixed and variable remuneration helps to ensure objectives are aligned. The Committee believes that the dual focus on revenue and profit performance is integral to ensuring delivery of shareholder value.

Executive Directors' service contracts

Executive Director	Required written notice by both the Company and individuals
Morgan Tillbrook	12 months
Tim Kidd*	6 months
Tim Butters	6 months

* In January 2022 it was announced after a long career spanning over 30 years, Tim Kidd intends to retire from his role as Group CFO next year. However, prior to formalising his retirement, Tim has agreed to an extended notice period (up until April 2023) so that we have the time needed to find a strong successor and to allow for an optimal transition period.

Non- Executive Directors service contracts

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Appointment letters are intended to be for a two-year term. No compensation is

payable in the event of a Non-Executive not being re-elected. 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 2021.

Base salary increase

The only change that was made to Director's Remuneration in 2021 was to increase the salary of the CEO, Morgan Tillbrook from £360,000 to £500,000 and the CFO, Tim Kidd from £200,000 to £225,000. The Committee carried out a review where Directors' Remuneration was benchmarked against businesses in a similar sector and/or delivering similar growth and returns for shareholders. In light of this review, it was concluded that the salaries of Morgan Tillbrook and Tim Kidd were not aligned to these benchmarks. The Committee believes that the best outcome for all stakeholders was to increase base salary to a level where it is aligned to the wider market. The Committee will continue to undertake an annual benchmark review.

Tim Butters was appointed to the Board on 7 October 2021. His salary throughout the year ended 31 December 2021 was £160,000 which was not changed after his appointment. He received an annual bonus of £30,000 for 2021 and his salary and bonus have been apportioned in the table below from the date of his appointment.

Year ended 31 December 2021

	Basic salary/fee £	Bonus* £	Pension £	Share-based payment £	Other £	Total £
Executive						
Morgan Tillbrook	500,000	187,500	2,813	-	3,871	694,184
Tim Kidd	225,000	84,375	-	-	3,288	312,663
Tim Butters (appointed 7 October 2021)	37,699	7,068	663	2,168	177	47,775
Non-Executive						
Clive Kahn	45,000	-	-	-	-	45,000
Lisa Gordon	45,000	-	-	-	1,258	46,258
Vijay Thakrar (appointed 19 May 2021)	27,808	-	-	-	-	27,808

Year ended 31 December 2020

	Basic salary/fee £	Bonus* £	Pension £	Share-based payment £	Other £	Total £
Executive						
Morgan Tillbrook	360,000	-	1,314	-	1,599	362,913
Tim Kidd	200,000	-	-	-	1,162	201,162
Henry Lisney (to 11 May 2020)	80,048	-	-	-	156	80,204
Non-executive						
Clive Kahn	45,000	-	-	-	-	45,000
Lisa Gordon	45,000	-	-	-	1,130	46,130
Matt Knowles (to 2 November 2020)	37,644	-	994	-	-	38,638

*The bonus arrangement for Morgan Tillbrook and Tim Kidd for the year ended 31 December 2021 and the year ended 31 December 2020 was a maximum bonus of 50% of basic salary based on the Group's achievement against key performance indicators.

The Executive remuneration policy for the year ended December 2022 is set out in the table below:

	Base salary £	Maximum bonus %	Pension £
Morgan Tillbrook	500,000	200%	3,938
Tim Kidd	250,000	150%	0
Tim Butters	200,000	Nil	3,750

For the Executives, the Annual Bonus Plan is based on the Groups achievement against key performance indicators. The calculation is aligned to revenue and profit growth, with a maximum bonus requiring the Group to achieve a minimum of 25% above its internal budget.

The highest paid Director was paid £694,183 during the year (2020: £362,913). The average earnings within the Group for the year ending 31 December 2021 excluding Directors was £78,259 (2020: £105,349).

Directors' shareholding and share interests

The following table summarises the shareholding and share interests of the Directors at 31 December 2021.

As at 31 December 2021

	Beneficially owned	B Growth Share Scheme	Total
Executive			
Morgan Tillbrook	6,823,644	-	6,823,644
Tim Kidd ¹	131,714	173,293	305,029
Non-executive			
Clive Kahn	347,067	-	347,067
Lisa Gordon	15,285	-	15,285
Vijay Thakrar	1,248	-	1,248

¹Tim Kidd is a participant in the B Growth Share Scheme which was established in 2017 prior to the IPO. Full details of the scheme are provided in Note 25 of the Consolidated Financial Statements. Following the exercise of his put option in respect of the year ended 31 December 2020 he was awarded 85,023 shares in the Company in March 2021. Following the revenue growth target of 20% being met for the year ended 31 December 2021 which is the final year of vesting of the B Growth Share Scheme, it is estimated that he will be awarded 88,271 shares in the Company in March 2022.

At 31 December 2021 Tim Butters had no beneficial interest in the shares of the Company. He is a participant in the E Growth Share Scheme which was established prior to his appointment as a Director. Full details of the scheme are provided in Note 25 of the Consolidated Financial Statements. Following the revenue growth target of 25% being met for the year ended 31 December 2021, it is estimated that upon exercise of the put options, he will receive 20,915 shares in March 2022 of which 4,928 shares relate to the pro-rata number of shares for the period that he has been a Director of the Company.

A resolution to accept the Remuneration Committee Report will be put to shareholders at the Annual General Meeting and the Committee will conduct a full annual review of the policy.

Lisa Gordon

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2021.

I would like to start by thanking Lisa Gordon for chairing the Audit Committee until May 2021. I am delighted that she and Clive Kahn continue to be Audit Committee members.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes: monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, and advising on the appointment of external auditors.

The Audit Committee met at three scheduled meetings during the year and also held meetings, independent of management, with BDO LLP, the Company's external auditors.

Members of the audit committee

Details of the Audit Committee membership are provided in the Corporate Governance Statement.

Duties

The main items of business considered by the Audit Committee during the year included:

- Review of the 2021 audit plan and audit engagement letter;
- consideration of key audit matters and how they are addressed;
- review of the effectiveness of the external audit process;
- audit partner rotation;
- monitoring the integrity of the financial statements and Annual Report and of any trading updates provided externally;
- going concern review;
- review of the risk management and internal control systems;
- review of the Group's ICARA and risk framework; and
- consideration of regulatory developments and their impact.

As a result of considering the above matters, the Committee focused on the following matters considered to potentially have a material impact on its financial results:

Revenue recognition

Given the different nature of the Company's income streams from FX Risk Management and Alternative Banking Solutions, the Committee discussed the revenue recognition treatment adopted for the different streams with management and with the auditors, who have confirmed that the Company's treatments accord with relevant accounting standards.

Credit Valuation Adjustment (CVA)

The Committee has discussed with management the CVA methodology adopted. Management have confirmed that the CVA methodology is consistent with previous years and the auditors have also reviewed the Company's CVA and concluded that it is appropriate.

Recoverability of Receivables

As the Company has material amounts of Receivables, the Committee has reviewed Management's methodology for impairing the value of Receivables. The auditors have also performed extensive amounts of work in this area and have concluded that the Receivables shown on the year-end balance sheet are fairly stated.

The full terms of reference of the Committee comply with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code") and are available on the Group's website or from the Company Secretary at the registered office address.

Role of the external auditor

The external auditor, BDO LLP, was initially appointed in the financial year to 31 December 2016, following a formal tender process and was reappointed at the Company's 2020 AGM. As a result of the five-year rotation policy to enhance auditor independence, there was a new audit partner appointed for the 2021 audit. The Audit Committee monitors the relationship to ensure that auditor independence and objectivity are maintained. The Committee is satisfied with BDO's independence but will keep under review the need for an external tender.

The breakdown of fees between audit and non-audit services is provided in Note 5 of the Group's financial statements. The Committee monitors the non-audit fees.

Having reviewed the auditor's independence and performance, the Audit Committee recommends that BDO LLP be reappointed as the Group's auditor at the next AGM.

Audit process

The auditor prepares a plan for the audit of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presents its findings to the Audit Committee for discussion, including management letter points detailing areas for improvement. The Audit Committee monitors management's actions in respect of such recommendations.

Internal Audit

In the year ended 31 December 2021 the Group did not have an internal audit function. The Committee was of the view that management could derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures by use of external advisers where appropriate. Due to the increasing complexity of the business and geographical spread, the Group established an internal audit function in February 2022, with the appointment of an experienced internal auditor with relevant industry experience.

Risk Management and Internal Controls

As described on page 62 of the corporate governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee Board as a whole is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, on behalf of the Board, the Committee has reviewed the framework, and the Committee is satisfied that the internal control systems in place are currently operating effectively. In particular, the Committee ensures that the Company's Chief Risk Officer, who chairs the Company's Risk Committee which meets monthly to consider the principal risks facing the Company (such as credit, liquidity, debt recoverability, client concentration, key people, regulatory compliance and cyber) presents a regular update of the Risk Committee's work to the Board.

Whistleblowing

The Group has a whistleblowing policy which enables employees of the Group to confidentially report matters of concern.

Our priorities for the year ahead

During 2022, the Committee will focus on:

- Reviewing the Group's ICARA and risk framework.
- Scoping and assessing the workstream and effectiveness of the new internal audit function.
- Continuing to assess any ongoing changes to the regulatory environment, business practices and risk profile of the Group.
- Continuing to monitor with the Board as a whole the risks facing the Company and ensuring that appropriate resources and experience are provided to help mitigate the risks.
- Working with the Board to recruit a CFO with appropriate experience to replace Tim Kidd, who has given notice of his retirement, and ensuring that there is a suitable transition and handover.

DIRECTORS REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2021.

The corporate governance statement on page 58 also forms part of this Director's Report.

Business Review

An analysis of the Group's development (including likely future developments) and performance is contained in the Chairman's Statement, CEO's Statement and Our Strategy. Information on the financial risk management strategy of the Group and its exposure to its principal risks & uncertainties section of the report on page 48.

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 Brunel Building, 2 Canalside Walk, London W2 1DG. The registered company number is 07262416. The Company presents a list of its subsidiaries in note 14.

The Company's principal activity is the development of financial strategies and technologies for global corporates and institutions covering: FX risk management, mass payments and account openings.

Results and Dividend

The Group shows its results for the year in the statement of comprehensive income on page 87. Details of the proposed final dividend for the year are included on page 3.

Directors

The Directors of the Company during the year were:

Executive

Morgan Tillbrook

Tim Kidd

Tim Butters (appointed 7 October 2021)

Non-Executive

Clive Kahn

Lisa Gordon

Vijay Thakrar (appointed 19 May 2021)

Biographical details, along with committee responsibilities, are provided on page 55.

Directors' Interests

The Directors' interests in the Group's shares and options over ordinary shares are shown in the remuneration report on page 66.

Charitable Donations

During the year, the Group donated £7,239 to a number of charitable organisations.

Political Donations

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

Environment

The Group believes in minimising its impact to the environment where possible and is a certified carbon neutral company. More details on the measures it has taken are set out on page 38.

Equal Opportunities

We are committed to ensuring our workplace is equal, diverse and inclusive. We operate a true meritocracy, recruiting and promoting staff based on their attitude, skills and experience. We do not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender or any other criteria. We are also committed to ensuring all employees feel respected and are able to perform to the best of their ability.

Events after the reporting period

In the lead up to and following Russia's invasion, the Group has taken the necessary precautions to mitigate the impact on our business. The Group has historically had limited exposure to the Russian rouble, currently 0.02% of the forward book, across two clients with strong financial standing. In addition, there are only a small number of clients with direct exposure to Eastern European currencies making up 1.7% of the forward book. These clients have all undergone a detailed credit review in light of recent events and those that have not already closed out their contracts continue to hold positions based on the strength of their credit standing. We continue to monitor our client base for businesses that have the potential to feel wider knock-on effects from the conflict.

There has been no material impact to the Group to date, nor does the Group anticipate any material impact to trading moving forward. However, recognising that the situation is developing rapidly, we will continue to review and monitor it closely.

Following the vesting of the B Growth Share Scheme for the year ended 31 December 2020, the Company will be issuing 630,279 shares in March 2022. Following the revenue growth target for the year ended 31 December 2021 being met for the B Growth Share Scheme the Company will issue 675,419 shares in March 2023.

Following the vesting of the C Growth Share Scheme for the year ended 31 December 2021, the Company will be issuing 219,494 shares in March 2022.

Following the vesting of the E Growth Share Scheme for the year ended 31 December 2021, the Company will be issuing 174,345 shares in March 2022.

Following the first year of vesting of the Alpha FX Institutional Limited share scheme for the year ended 31 December 2021, the Company will be issuing 99,828 shares in March 2022.

Following the vesting of the SAYE scheme, the Company will be issuing a total of 108,671 shares over the next few months starting on 25 March 2022, with the date of allotment dependent upon when employees elect to exercise their option during the prescribed window.

Financial Instruments

The financial risk management objectives and policies of the Group, including credit risk, market risk, liquidity risk, interest rate risk and currency risk, are provided in note 17 to the Consolidated Financial Statements.

Share Capital Structure

Details of changes in the Group's share capital are disclosed in note 20 of the Consolidated Financial Statements.

Share Options Schemes

Details of employee share schemes are set out in note 25 to the Consolidated Financial Statements.

Purchase of Own Shares

There was no purchase of own shares in the period.

Going Concern

As described in Note 2 of the financial statements, the Group has carried out a Going Concern assessment. 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 the foreseeable future. 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 accounts. All other development expenditure is recognised in the Statement of Comprehensive income.

Branches

The Group has one branch outside of the United Kingdom located in The Netherlands.

Future developments

The board intends to continue to pursue the business strategy as outlined in the strategic report on page 17.

Stakeholder Involvement Policies

The Directors believe that the involvement of employees, clients and suppliers is an integral part of the Group's culture and plays a key part in its decision making and growth to date. For more information, view pages 31 and 35.

Auditor and disclosure of information to auditor

BDO LLP were appointment 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 9.00am on 5 May 2022 at the offices of Bird & Bird LLP, 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 Consolidated Financial Statements in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 company's financial position and enable them to ensure that the financial statements comply with the requirements of 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.

Website publication

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



Simon Kang

Company Secretary

15 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA FX GROUP PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profits for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

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 2021 which comprise Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, Notes to the Consolidated Financial Statements, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the Company 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 UK adopted international accounting standards. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We considered the risks and judgements made by management as most likely to adversely affect the Group's and Parent Company's available financial resources and challenged management on their appropriateness based on our understanding of the business, results of our audit work and the general economic factors impacting the industry.
- The risks and judgement management considered as most likely to impact the business and challenged on were:
 - A major client default or loss of a major client: We noted that management have reduced client concentration risk on forward and options business to 3% on average based on revenue.
 - Free cash position: We reviewed the management's cash flow forecast for a period of at least 12 months from the date of signing these financial statements. We reviewed management's downside scenario considering the continued impact of covid-19 pandemic on the operations and Group's internal forecast including related assumptions.
 - Disruption throughout the business as a result of Brexit. Alpha FX Europe Limited has received dual licence under the Financial Institutions Act and the Investment Services Act from the Malta Financial Services Authority on 05 March 2021 which reduces the risk related to access to the European market. We considered the implication and switching of a large portion of business to Alpha FX Europe on account of Brexit.
 - Impact of evolving global geopolitical environment in wake of Russia-Ukraine conflict and its impact on the Group's operations
 - Reasonableness of bad debt provisions including credit value adjustments (CVA).
- We also considered the adequacy of the Group's capital regulatory requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage²	97% (2020: 97%) of Group profit before tax 99% (2020: 99%) of Group revenue 100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Existence and accuracy of revenue	?	?
	Fair value of open trades (including Credit Value Adjustments - CVA)	?	?
	Fair value of growth shares	?	?
	Impairment of receivables under ECL model.		?
	Impairment of receivables under ECL model is no longer a KAM because of the significant recovery of a related large trade receivable which arose due to default of a major client in 2020. During the year, we reviewed recoveries from the client and assessed that it is likely to be fully recovered in agreed time. ECL is thus no longer a significant risk.		
Materiality	<i>Group financial statements as a whole</i> £1,682k based on 5% of Profit before tax. The 2020 materiality of £871k was also based on 5% of profit before tax.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises the Parent Company and five trading subsidiaries (2020: five), Alpha FX Limited, Alpha FX Institutional Limited, Alpha Foreign Exchange (Canada) Limited, Alpha FX Netherlands Limited and Alpha FX Europe Limited. Alpha FX Group plc, Alpha FX Limited, Alpha FX Institutional Limited and Alpha FX Europe Limited have been determined to be significant components, as a result a full scope audit of the Parent Company. The audit of all significant components is performed by the group audit team for Group purposes.

² These are areas which have been subject to a full scope audit by the group engagement team

We determined that the Canadian subsidiary was not a significant component for the audit and group audit team performed specific audit procedures on material financial statements areas related to revenue and expenses. Alpha FX Netherlands was incorporated in May 2020 in England, operates through its Netherlands branch (Sales office), and was not a significant component for group reporting. For Alpha FX Europe Limited, we performed specific audit procedures on all material financial statements areas for group audit purpose.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Existence and accuracy of revenue The Group's revenue recognition policy is included with the accounting policies in note 2 and segment reporting on revenue is included in note 4.	We reviewed the revenue recognition policy and disclosures applied by management to each of the Group's revenue streams given the growth in the business and considered its compliance with IFRS15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' with a specific focus on existence and measurement of revenue. We sample tested the relevant manual and compensating controls covering the existence and accuracy of revenue transactions for operating effectiveness throughout the year, covering the customer confirmation of trades and recalculation of trades. We tested a sample of matched principal spot, forward and option contracts to verify the existence and accuracy of revenue, with reference to underlying supporting trade tickets and third party information recorded with the relevant banking counterparty. We recalculated the profits arising from the trades and tested key inputs to the relevant underlying supporting documents outlined above. We have reviewed a sample of long dated forward contracts for appropriate accounting treatment including recalculation of the revenue.

	payments transactions are added. There is a risk that the calculations identifying the revenue amounts, contain errors.	We also agreed a sample of the Alternative Banking Solutions revenue (payments revenue) to supporting documentation. We obtained revenue confirmations from customers on the payments revenue generated via the Alternative Banking Solutions Platform. Key observations: Based on our testing we consider the recognition of revenue to be appropriate and in line with the requirements of the accounting standards.
Fair value of open trades (including Credit Value adjustment-CVA) The Group's fair value policy is included with the accounting policies note 2 and the significant judgments in relation to Credit valuation adjustment is set out in note 3.	Alpha FX Group plc holds a large open forward book of trades not yet settled at year end. Under accounting standards any open derivative positions at year end are required to be held at fair value. The gain or loss on these forward trades is taken to the income statement with a corresponding financial asset or liability held on the Consolidated Statement of Financial Position. At each reporting date management reassess the fair value of open trades, which includes adjusting the carrying value of the forward book with reference to their mark to market forward rates as well as an assessment of the credit worthiness of their counterparties. The amount of the adjustment represents the difference between the net carrying amount and the value of the future expected cash flows associated with the receivables. 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	We reviewed the fair value policy applied to the open positions at year-end and considered its compliance with IFRS 13 'Fair Value Measurement. We performed credit reviews on a sample basis to check that the credit ratings which are a key input into the CVA calculation are accurate and in compliance with the credit risk rating methodology and are appropriate and reflective of the credit risk of particular counter party. We recalculated the credit valuation adjustment on a sample of trades and compared against Management's assessment. We also checked that the calculations are in line with the CVA methodology that was reviewed by BDO Valuations experts in the prior year. Management calculated the CVA using the Monte Carlo simulations approach and compared the results against their existing CVA methodology as a way of sense checking the existing methodology. We have used BDO valuation experts in the current year to assist in reviewing the Monte Carlo methodology and related assumptions and noted that the results are not materially different from the methodology applied by Alpha. We specifically involved BDO Valuations experts to perform a detailed review of counterparties and also ensured the parties in our sample cater to all risk bands originally allotted by management. This was to check counterparty risk ratings assessed as low by management are appropriate.

	<i>adjustment. We have therefore identified fair value of open trades including credit value adjustment at year-end as a key audit matter.</i> <i>Alpha also enters into derivative positions on its forward book to mitigate against a negative movement in FX rates hence MTM gain or losses are calculated and only reported in the P&L if material.</i>	We have vouched inputs in CVA calculations to underlying supporting documentation on a sample basis with specific focus on credit risk rating, mark to market (MTM) rates, currency volatility and probability of default. We tested a sample of trades within the open forward book at year-end, checking that the mark to market forward rate has been appropriately applied. Key observations: Based on our audit work performed, we consider that the judgements made by management in the calculation of fair value of open trades including CVA are reasonable. We consider that the CVA Methodology (including related assumptions) is reasonable and in line with industry expectations for the size of the organisation and its credit risk exposures.
Fair value of growth shares See Note 2 on accounting policy on Share based payments and note 24 for additional disclosures.	<i>During the year, the Group issued two new share schemes.</i> <i>The key input is the fair value applied to the new growth shares schemes which is highly subjective and requires use of Management judgment and estimates which inherently creates more audit risk in respect of valuations applied to the schemes.</i> <i>Accounting for growth shares under IFRS2 Share based payments is complex of which the risk of error is further heightened by added complexity due to the modifications to the existing share schemes. Other assumptions include volatility assumption, risk free rate, expected life among others.</i>	We have engaged with BDO Valuations experts to assist us in the review of the "F share scheme" and "D3 and D4 share scheme" fair value calculation performed by a Management expert by performing the following procedures; ○ Assessing the appropriateness of the methodology and model used ○ Comparing market inputs used to information independently sourced from Bloomberg and S&P Capital IQ, and ○ Calculating the fair value of the options at each grant date using appropriate inputs and their own model in order to provide a fair value crosscheck of the options. ○ We separately performed tests around independence, objectivity and competence of management expert as part of our audit work. The assumptions underpinning this valuation have been considered and challenged where appropriate through comparing the market inputs used to information independently sourced from Bloomberg and S&P Capital and assessing the reasonableness of management cash flow projections.

	<i>The disclosures needed in respect of these schemes are also complex, creating a presentation risk in the financial statements. In addition certain disclosures are required by the Companies Act 2006 and IAS24 for transactions with Directors and Related Parties.</i> <i>We have therefore identified growth shares as a key audit matter.</i>	We have reviewed the work of Management's expert on new and existing share schemes including challenging management on the underpinning assumptions like fair valuation of options price, revenue based targets which require management to estimate the probability of meeting these conditions and related modifications with the help of our BDO Valuations experts. We also checked that the vesting criteria are met as per terms and conditions of the share scheme agreement. We also performed a review of the share issue documents such as agreements and related accounting entries in respect of new and existing share schemes, including the share option charges relating to the current year. We reviewed the disclosures made by Management to confirm if they were consistent with our audit work performed and in line with the requirements of the relevant accounting standard. Key observations: Based on our audit work performed, we consider the judgements and estimates made by management in the valuation of growth shares appears reasonable. The disclosures in the financial statements are appropriate.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 exceed materiality, we use a lower materiality 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	1,659	871	1,576	827
Basis for determining materiality	5% of Profit before tax	5% of Profit before tax	95% of Group Materiality	95% of Group Materiality
Rationale for the benchmark applied	Investors are the principal stakeholders and are primarily interested in profitability.		Limited to a percentage of Group materiality for Group reporting purposes	
Performance materiality	1,078	566	1,024	537
Basis for determining performance materiality	65% of Materiality	65% of Materiality	65% of Materiality	65% of Materiality
	This is based on our expected value of known and likely misstatements in the current year, and Management's attitude to proposed. The Group has extended its geographical range and has some complex estimates involved in the financial instruments. As such, we have deemed it appropriate to set our threshold at 65%.		In line with Group's threshold.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 26% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £141k to £1,597k. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £33.6k (2020:£34.8k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or

	• we have not received all the information and explanations we require for our audit.
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Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We performed risk assessment procedures to identify the risk of material misstatement due to irregularities including fraud (fraud risks) and identified events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. We considered the following:

- We made enquiries regarding known or suspected fraud from management, Audit Committee and the Board of Directors including obtaining an understanding of management's risk management procedures and internal controls in place to detect any irregularities including fraud and error.
- We noted that the front office sales staff work on a commission basis. As a result there is the possibility that sales staff place fraudulent trades in order to achieve commission targets. This was addressed through our journal entry testing and under the existence and accuracy of revenue KAM as documented above.
- The Group operates growth share schemes which are aimed at aligning management staff interest to those of the Group. These growth share schemes include a revenue performance target which may further incentivise staff to manipulate results. This was addressed through our journal entry testing and under the fair value of growth shares KAM as documented above.
- We discussed with the group engagement team the potential fraud risks on the following significant estimates as sources of irregularity or fraud risk through fraudulent financial

reporting: Judgemental areas on IFRS 2 growth shares valuation, Judgemental qualitative aspects to ECL on IFRS 9 on initial recognition and impairment, Credit Valuation Adjustments (CVA), adjustment profit revenue element with a focus on long dated forward contracts and management override risk. In addition, existence and accuracy of revenue was determined to be a key areas of potential fraud risk. These matters are covered in detail in our KAM section above.

On revenue, we also tested the operating effectiveness of the relevant internal controls. We assessed significant accounting estimates for bias. These procedures also included identifying journal entries to test based on risk criteria and tracing the identified entries to supporting documentation.

Non compliance with laws and regulations was identified as a risk in relation to compliance with license regulations, FCA regulations and compliance with the Companies Act 2006 requirements among others. We performed procedures to address these laws and regulations risks as part of our audit work. We made enquiries of management in respect of compliance with laws and regulations and in particular whether there were any material noncompliance with laws and regulations, or known or suspected irregularities, including fraud in all jurisdictions where the group has business operations. We reviewed minutes of management meetings, Board minutes and correspondence with regulators in order to identify any non-compliance with laws and regulations. We have reviewed outstanding litigation cases and confirmed that the related disclosures in the financial statements are reasonable.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Justin Chait (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
15 March 2022

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 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Note	£'000	£'000
Revenue	4	77,471	46,217
Operating expenses		(44,143)	(29,457)
Underlying operating profit		33,588	17,149
Share-based payments expense		(260)	(389)
Operating profit	5	33,328	16,760
Finance income	6	536	747
Finance expenses	6	(681)	(370)
Profit before taxation		33,183	17,137
Taxation	8	(7,140)	(3,333)
Profit for the year		26,043	13,804
Attributable to:			
Equity holders of the parent		23,531	12,469
Non-controlling interests		2,512	1,335
Profit for the year		26,043	13,804
Other comprehensive income:			
Exchange (loss)/ gain arising on translation of foreign operations		(148)	17
Total comprehensive income for the year		25,895	13,821
Attributable to:			
Equity owners of the parent		23,383	12,486
Non-controlling interests		2,512	1,335
Total comprehensive income for the year		25,895	13,821
Earnings per share attributable to equity owners of the parent (pence per share)			
- basic	9	57.7p	31.7p
- diluted	9	55.1p	30.5p
- <i>underlying basic</i>	9	<i>58.3p</i>	<i>32.8p</i>
- <i>underlying diluted</i>	9	<i>55.7p</i>	<i>31.6p</i>

Alpha FX Group plc

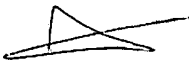
Consolidated Statement of Financial Position

As at 31 December 2021

Company number: 07262416

		As at 31 December 2021 £'000	As at 31 December 2020 £'000
	<i>Note</i>		
Non-current assets			
Intangible assets	11	2,995	2,074
Property, plant and equipment	12	2,323	2,251
Right-of-use assets	13	6,136	6,945
Trade and other receivables	18	17,335	5,832
Total non-current assets		28,789	17,102
Current assets			
Trade and other receivables	18	68,358	70,476
Cash and cash equivalents	19	108,044	82,972
Other cash balances	19	3,506	4,025
Total current assets		179,908	157,473
Total assets		208,697	174,575
Equity			
Share capital	20	82	80
Share premium account	20	50,783	50,582
Capital redemption reserve	20	4	4
Merger reserve	20	667	667
Retained earnings	20	54,189	35,631
Translation reserve	20	(124)	24
Equity attributable to equity holders of the parent		105,601	86,988
Non-controlling interests	21	4,193	3,653
Total equity		109,794	90,641
Current liabilities			
Trade and other payables	22	78,888	74,017
Lease liability	13	450	293
Current tax liability		3,847	1,808
Total current liabilities		83,185	76,118
Non-current liabilities			
Trade and other payables	22	7,745	-
Deferred tax liability	8	1,061	626
Lease liability	13	6,912	7,190
Total non-current liabilities		15,718	7,816
Total equity and liabilities		208,697	174,575

The Consolidated Financial Statements of Alpha FX Group plc were approved by the Board of Directors on 15 March 2022 and signed on its behalf by:


M J Tillbrook
Director


T C Kidd
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Note		
Cash flows from operating activities			
Profit before taxation		33,183	17,137
Finance (income)	6	(536)	(747)
Finance expense	6	681	370
Amortisation of intangible assets	11	950	496
Impairment of intangible assets	11	121	278
Depreciation of property, plant and equipment	12	589	449
Depreciation of right-of-use assets	13	809	805
Initial recognition of discount relating to the Norwegian client	5	-	1,275
Loss on disposal of fixed assets	12	-	1
Share-based payment expense		260	389
Provision utilised in year		-	(95)
Decrease/(increase) in other receivables		127	(1,117)
(Decrease)/increase in other payables		(14,235)	10,972
(Increase) in derivative financial assets		(21,894)	(11,453)
Decrease/(increase) in financial assets at amortised cost		11,778	(18,199)
Increase/(decrease) in derivative financial liabilities		26,851	(4,691)
Decrease/(increase) in other cash balances		519	(158)
Cash inflows/(outflows) from operating activities		39,203	(4,288)
Tax paid		(4,666)	(2,029)
Net cash inflows/(outflows) from operating activities		34,537	(6,317)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	12	(661)	(425)
Proceeds from the sale of property, plant and equipment		-	3
Expenditure on intangible assets	11	(1,992)	(1,666)
Net cash outflows from investing activities		(2,653)	(2,088)
Cash flows from financing activities			
Dividends paid to equity owners of the Parent Company		(4,505)	-
Dividends paid to non-controlling interests	21	(1,739)	(1,020)
Issue of ordinary shares by Parent Company		26	19,281
Share issue costs		-	(81)
Issue of ordinary shares by subsidiary		327	1
Payment of lease liabilities	13	(465)	(775)
Net interest paid		(308)	(6)
Net cash (outflows)/inflows from financing activities		(6,664)	17,400
Increase in net cash and cash equivalents in the year		25,220	8,995
Net cash and cash equivalents at beginning of year		82,972	73,960
Net exchange (loss)/gains		(148)	17
Net cash and cash equivalents at end of year	19	108,044	82,972

Alpha FX Group plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Attributable to the owners of the Parent

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2020	74	31,388	4	667	22,932	7	55,072	2,499	57,571
Profit for the year					12,469	-	12,469	1,335	13,804
Other comprehensive loss	-	-	-	-	-	17	17	-	17
<i>Transactions with owners</i>									
Shares issued on vesting of share option scheme	-	5	-	-	-	-	5	-	5
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	1,089	1,089
Shares repurchased from non-controlling interests	-	-	-	-	(185)	-	(185)	(192)	(377)
Forfeiture of shares in subsidiary	-	-	-	-	-	-	-	(58)	(58)
Share-based payments	-	-	-	-	415	-	415	-	415
Shares issued on placing	6	19,994	-	-	-	-	20,000	-	20,000
Cost of shares issued on placing	-	(805)	-	-	-	-	(805)	-	(805)
Dividends paid	-	-	-	-	-	-	-	(1,020)	(1,020)
Balance at 31 December 2020	80	50,582	4	667	35,631	24	86,988	3,653	90,641
Profit for the year	-	-	-	-	23,531	-	23,531	2,512	26,043
Other comprehensive income	-	-	-	-	-	(148)	(148)	-	(148)
<i>Transactions with owners</i>									
Shares issued on vesting of share option scheme	2	175	-	-	(164)	-	13	(13)	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	107	107
Shares repurchased from non-controlling interests	-	-	-	-	56	-	56	(162)	(106)
Shares issued in relation to SAYE share scheme	-	26	-	-	-	-	26	-	26
Forfeiture of shares in subsidiary	-	-	-	-	(620)	-	(620)	(165)	(785)
Share-based payments	-	-	-	-	260	-	260	-	260
Dividends paid	-	-	-	-	(4,505)	-	(4,505)	(1,739)	(6,244)
Balance at 31 December 2021	82	50,783	4	667	54,189	(124)	105,601	4,193	109,794

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 Brunel Building, 2 Canalside Walk, London, England, W2 1DG.

The Consolidated Financial Statements incorporate the results of the Company and its subsidiary undertakings.

The Group's principal activity is the development of financial strategies and technologies to assist corporates and institutions in their FX risk management, mass payments and account opening requirements.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out in note 2.

2. Accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Consolidated Financial Statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, revenue or expense. The Consolidated Financial Statements are presented in Pounds Sterling ("£"), and all values are rounded to the nearest thousand ("£'000") except where 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, unless otherwise stated.

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 in note 3.

The Consolidated Financial Statements are prepared on the historical cost basis except for those detailed within 'Financial Instruments' below.

2. Accounting policies (continued)

a) New standards, interpretations and amendments effective from 1 January 2021:

- There are no new standards, interpretations and amendments which became mandatorily effective for the current reporting period which have had any material effect on the financial statements of the Group.

b) New standards, interpretations and amendments not yet effective:

- There are no IFRS interpretations that are not yet effective that would be expected to have a material impact on the Group.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

Basis of consolidation

The Consolidated Financial Statements consist of the financial statements of the ultimate Parent Company (Alpha FX Group plc) and all entities controlled by the Company (its subsidiaries).

(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.

2. Accounting policies (continued)

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 IFRS 10, 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 makers 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. The chief operating decision-makers responsible for allocating resources and assessing performance of the operating segments are identified as the Group's Chief Executive Officer and Chief Financial Officer.

Going concern

The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous review of financial forecasts and available resources. The Group meets its day-to-day working capital requirements through its strong cash reserves. As at 31 December 2021, the Group had a healthy liquidity position with £108.0m of cash and cash equivalents (see note 19) of which the Group's adjusted net cash excluding client funds was £88.2m (see the Financial Review), with no debt financing commitments. The Group has net current assets of £96.5m at 31 December 2021 and net assets of £109.8m.

In assessing going concern, management have considered any potential continued effects of the COVID-19 pandemic as well as Russia's invasion of Ukraine. This assessment has considered the impact on the Group's operations, budget for the year ended 31 December 2022 and internal forecast for 2023. The Group has continued to grow revenues during the COVID-19 pandemic and cash conversion has continued to improve. Alpha has limited direct or indirect exposure to Russia and therefore we do not anticipate any significant impact to the business from these events.

2. Accounting policies (continued)

Given the unprecedented nature of the above events, severe downside scenarios have been modelled where revenue targets are missed by up to 40% together with the assumption that a number of clients are unable to meet their mark-to-market obligations, resulting in bad debts. Even in these scenarios, the Group has strong liquidity, no external debt and mitigating actions that would allow it to meet its financial liabilities as they fall due. These mitigating actions, should they be required, are all within management's control and could include reducing new recruitment, lowering commission or bonus payments, and reduced capital expenditure. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its Consolidated Financial Statements.

Revenue

FX Hedging

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

Spot and forward revenue is recognised when a binding contract is entered into by a client and the rate is fixed and determined. In accordance with IFRS 15, revenue is recognised at this point in time as the performance obligation is satisfied by transferring control of the contract to the client. Revenue represents the difference between the rate offered to clients and the rate the Group pays its banking counterparties.

Options revenue is recognised when a binding contract is entered into by a client and the revenue is fixed and determined. In accordance with IFRS 15, revenue is recognised at this point in time as the performance obligation is satisfied by transferring control of the contract to the client. Revenue represents the difference between the premiums paid by clients and the premium the Group pays to its banking counterparties.

Payments and collections

Alternative Banking provides payment and collection services and receives revenue from both account fees and spot transactions. Account fees are charged for the following services (but are not limited to) electronic payments in and out of accounts (e.g. Faster Payments, CHAPS, International payments and collections) and implementation fees.

The Group entered into new contracts in the year to provide payment and collection services. The revenue in relation to these contracts is recognised in line with IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. The five-step model requires the Group to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

Contract assets and receivables are accounted for in accordance with IFRS 9. The Group receives revenue based on a billing schedule at the end of each month, as established in the contracts.

2. Accounting policies (continued)

Billing occurs simultaneously with revenue recognition and as such, revenue is recognised using the output method when the performance obligation is satisfied (when the services are rendered and transferred to the customer).

The output method accurately reflects the transfer of services as the contracts are priced based on the number of transactions provided through the platform and represents the amount to which the Group will be entitled based on its performance to date.

Account fees

In accordance with IFRS 15, performance obligations are satisfied by transferring control of an account to a customer over the period. As a growing revenue stream within the Group, management has reassessed revenue recognition relating to account fees. As a result, revenue from annual account fees is recognised on a straight-line basis over the 12 months from the date the account is opened.

The initial set-up of the account may only happen upfront at a single point in time (with the associated fee being charged at this point), but the ongoing access to the account (particularly through access to the portal) and other ancillary services are provided to the customer throughout the period the account is open. There is an implied obligation that the Group is providing access to the client portal to those customers as part of the provision of these accounts. This indicates that the customer receives and consumes the benefits of having the account over time, rather than at a single point in time when the account is first opened.

There is an annual fee payable to the Group in order to maintain the account for each customer, resulting in a further fee charged to the customer in the case of renewal. Given there is an annual requirement for such a service to be undertaken, this indicates that the customer is receiving and consuming the benefits of the account over the 12-month period each fee relates to.

Foreign currency translation

The Group's consolidated historical financial statements are presented in pounds sterling, which is the functional currency of the Parent.

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 consolidated 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.

2. Accounting policies (continued)

Group companies

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each period end are translated at the prevailing closing rate at the date of the consolidated statement of financial position;
- income and expenses for each period within the consolidated statement of comprehensive income are translated at the average rate for the period; and
- on consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve as a separate component of equity. On disposal of a foreign operation, the cumulative translation differences are transferred to the consolidated statement of comprehensive income as part of the gain or loss on disposal.

All intragroup transactions, balances, income, expenses and dividends are eliminated on consolidation.

Financial instruments

Financial Assets

Initial measurement

All financial assets are measured initially at fair value less transaction costs. The Group's financial assets include derivatives not designated as hedging instruments (foreign exchange forward and option contracts with customers and banking counterparties) and amortised cost assets (financial assets at amortised cost, other receivables, cash and cash equivalents and other cash balances).

Subsequent measurement

IFRS 9 divides all financial assets into two classifications - those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are recognised in the consolidated statement of comprehensive income.

The classification of a financial asset is made at the time it is initially recognised, namely when the Group becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

Following initial measurement, the Group measures its financial assets at fair value through profit or loss or amortised cost, based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line.

2. Accounting policies (continued)

Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any financial assets at fair value through profit or loss.

Amortised cost

The Group's financial assets measured at amortised cost comprise other receivables and cash and cash equivalents in the consolidated statement of financial position.

These assets arise principally from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, and where applicable, less provision for impairment.

De-recognition of financial assets

Financial assets will be de-recognised when the contractual rights to the cash flows from the assets have expired, or when the Group transfers its contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether the Group retains the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows.

Impairment

Impairment provisions are recognised under the general approach according to a three-stage expected credit loss impairment model. Impairment provisions represent the difference between the present value of all contractual cashflows and the present value of expected future cashflows. Impairment losses are recognised in the consolidated Statement of Comprehensive Income. The Group performs an assessment of significant increase in credit risk on an annual basis. The Group has elected to apply the simplified approach to the Norwegian client receivable balance. In accordance with IFRS 9, the Group can apply the policy election for trade receivables. The Group recognises lifetime expected credit losses under the simplified approach. The Group has performed a re-assessment of lifetime expected credit losses at 31 December 2021.

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 has not applied the option to designate any financial liabilities as measured at fair value through profit or loss that were previously measured at amortised cost. The Group's financial liabilities include derivative financial liabilities and trade and other payables.

2. Accounting policies (continued)

De-recognition of liabilities

A financial liability is de-recognised 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 consolidated 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 immediately, financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position.

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 profit or loss comprise of forward foreign exchange contracts and options.

The Group undertakes matched principal broking involving immediate back-to-back derivative transactions with counterparties. These transactions are classified as financial instruments at fair value through profit or loss 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.

The 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.

Cash held as collateral with banking counterparties for which the Group does not have immediate access, is shown as other cash balances on the face of the Consolidated Statement of Financial Position.

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.

2. Accounting policies (continued)

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.

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 Consolidated Statement of Comprehensive income.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

2. Accounting policies (continued)

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.

Share-based payments

The Group issues equity-settled share-based payments to Directors and employees of the Group through the Growth Share Schemes, Approved and Unapproved Options Schemes.

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 Schemes have 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 Approved and Unapproved Options Schemes have 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 Consolidated Statement of Comprehensive Income.

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and where applicable, 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 and domain names. 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 ability to complete and its intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to reliably measure 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 where applicable, 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 three years being the period of expected future benefit. Amortisation is recorded in operating expenses in the Consolidated Statement of Comprehensive Income.

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 of the new shares to which they relate.

Leases

A lease conveys the right to direct the use and obtain substantially all the economic benefits of an identified asset for a period of time in exchange for consideration.

In accordance with IFRS 16, the Group recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis.

2. Accounting policies (continued)

The right-of-use asset is initially measured at cost, comprising: the initial lease liability; any lease payments made before commencement of the lease, less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The right-of-use asset is tested for impairment if there are any indicators of impairment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease.

The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term/low value exemptions

Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis.

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 only recognised if the amount can be estimated reliably. Provisions are measured based on the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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 Consolidated Financial Statements.

3. Significant accounting estimates and judgements (continued)

Impairment of financial assets

The Group recognises impairment provisions under the general approach according to a three-stage expected credit loss impairment model.

Impairment provisions represent the difference between the present value of all contractual cash flows and the present value of expected future cashflows. 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. When assessing future cash flows and discount factors the Group takes the following into account:

- Changes in the credit quality of the borrower or instrument
- The Groups liquidity and free cash position
- Forward-looking macroeconomic factors (upside and downside)
- Ongoing monitoring of the COVID-19 pandemic

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income. The Group performs an assessment of significant increase in credit risk on an annual basis. Details of impairment of financial assets are included in note 17- credit risk.

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, i.e., Group revenue, and the expected period of benefits. Details of capitalised development costs are shown in note 11.

Credit value adjustment

The credit value adjustment of £5.2m (2020: £4.0m) has been calculated by management based on the assumption that the Group will be unable to collect all the receivable amounts due under the contract terms, 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 value of the future expected cash flows associated with the receivables. In order to calculate expected future cash flows, management make an estimate using the latest real-time market information, risk ratings of the clients and experience.

Share-based payments

As described in note 2, 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 subjects to non-market vesting conditions that will vest.

4. Segmental reporting

During the year, the Group generated revenue from the sale of forward currency contracts, option contracts, foreign exchange spot transactions and fees received from payments collections and currency accounts.

The Group has five reportable operating segments under the provisions of IFRS 8, based on the individually reportable subsidiaries and divisions. These five segments are:

- Corporate London represents revenue generated by Alpha FX Limited's Corporate clients serviced from the London head office.
- Institutional represents revenue from Alpha FX Institutional Limited, which primarily services funds.
- Corporate Toronto represents revenue generated by Alpha Foreign Exchange (Canada) Limited, serviced from Toronto, Canada.
- Corporate Amsterdam represents revenue generated by Alpha FX Netherlands Limited, which services corporate clients from Amsterdam, The Netherlands.
- Alpha Pay (formerly Alpha Platform Solutions), a division of Alpha FX Limited which services clients who require international payments and accounts. The offering is distributed via our European Corporate offices and Institutional division, as well as Alpha Pay's own sales team.

The chief operating decision makers, being the Group's Chief Executive Officer and the Chief Financial Officer, monitor the results of the operating segments separately each month. Key measures used to evaluate performance are revenue and profit before taxation. Management believe that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

In April 2021, the Group decentralised into two divisions; Alternative Banking Solutions and FX Risk Management. These two divisions are now the key drivers to the Group strategy and growth of each operating segment. Revenue for each operating segment for the year ended 31 December 2021 has been split by the two divisions, as this now reflects how the chief operating decision-makers manage the business. In the prior year, revenue by operating segment was split as FX hedging, and Spot & Payment transactions. Additionally, in the prior year, Corporate Amsterdam was included within Corporate London's figures, due to the size of the segment being immaterial under IFRS 8.

As a result of the above, the prior year figures have been restated to reflect both the decentralisation of the business and the new operating segment.

Revenue in the table below is in accordance with the methodology used for preparing the financial information for management, for each operating segment. Although a proportion of the revenue from EU clients is initially booked through Alpha FX Europe Limited in Malta, revenue in the table below has been reallocated to the relevant entity where the sales team is located.

Alpha FX Group plc

4. Segmental reporting (continued)

2021

	Corporate London £'000	Institutional £'000	Corporate Toronto £'000	Corporate Amsterdam £'000	Alpha Pay £'000	Total £'000
FX Risk Management*	34,166	11,069	5,497	2,935	3,369	57,036
Alternative Banking Solutions**	61	4,565	-	848	14,961	20,435
Total revenue	34,227	15,634	5,497	3,783	18,330	77,471
Underlying operating profit	15,955	6,485	1,745	1,627	7,776	33,588
Share-based payments	(228)	(32)	-	-	-	(260)
Finance costs	(526)	(57)	-	-	(98)	(681)
Finance income	536	-	-	-	-	536
Profit before taxation	15,737	6,396	1,745	1,627	7,678	33,183

2020

	Corporate London £'000	Institutional £'000	Corporate Toronto £'000	Corporate Amsterdam £'000	Alpha Pay £'000	Total £'000
FX Risk Management*	27,655	7,492	2,131	29	2,484	39,791
Alternative Banking Solutions**	157	1,282	-	245	4,742	6,426
Total revenue	27,812	8,774	2,131	274	7,226	46,217
Underlying operating profit/(loss)	9,881	4,612	181	(472)	2,947	17,149
Share-based payments	(383)	(6)	-	-	-	(389)
Finance costs	(276)	(52)	-	-	(42)	(370)
Finance income	747	-	-	-	-	747
Profit/(loss) before taxation	9,969	4,554	181	(472)	2,905	17,137

*FX Risk Management represents revenue derived from foreign exchange forward, spot, and option contracts provided to corporate and institutional clients, primarily for the purpose of hedging commercial foreign exchange exposures.

**Alternative Banking Solutions represents revenues derived from fees and foreign exchange spot contracts generated from the provision of cross border payments and accounts to corporates and institutions.

	31 December 2021 £'000	31 December 2020 £'000
Revenue by product		
Foreign exchange forward transactions	31,945	22,437
Foreign exchange spot transactions	26,053	14,746
Option contracts	8,779	5,020
Payments and account fees	10,694	4,014
Total	77,471	46,217

Alpha FX Group plc

4. Segmental reporting (continued)

Non-current assets for each country is as follows:

	31 December 2021 £'000	31 December 2020 £'000
Non-current assets		
United Kingdom	23,435	17,071
Canada	16	23
The Netherlands	183	8
Malta	5,155	-
Total non-current assets	28,789	17,102

During the year, the Group earned revenue of £23,023,735 (2020: £17,589,450) from entities in the UK, £6,634,751 (2020: £1,350,561) from four Institutional entities in The Marshall Islands, £6,037,093 (2020: £596,464) from entities in Germany, £5,601,292 (2020: £2,187,495) from entities in Canada, £5,098,286 (2020: £1,258,778) from entities in Luxembourg, £4,169,216 (2020: £1,056,535) from entities in Netherlands, £3,891,665 (2020: £2,350,523) from entities in Isle of Man, £2,753,312 (2020: £356,562) from entities in Malta, £2,704,124 (2020: £1,367,571) from entities in Spain, £2,025,369 (2020: £5,075,570) from entities in France and £15,532,294 (2020: £13,027,475) from entities in other countries. All revenue is from external customers and the vast majority of revenue is recognised at a point in time.

5. Operating profit

Operating profit is stated after charging/(crediting):

	31 December 2021 £'000	31 December 2020 £'000
Depreciation of owned property, plant and equipment	589	449
Amortisation of internally generated intangible assets	950	496
Depreciation of right-of-use assets	809	805
Rental costs for short-term leases	179	286
Staff costs (note 7)	21,680	16,175
Estimated probability of default in relation to Norwegian client	(243)	270
Initial recognition of discount relating to the Norwegian client*	-	1,275
Bad debt expense**	2,869	369
Net foreign exchange losses	118	711
<i>Audit fees</i>		
Audit fees in respect of the Group and Company financial statements	240	110
Audit fees in respect of the subsidiary accounts	95	71

*The provision of £1,275,066 in the prior year represents the initial recognition of the difference between the nominal value of future payments from the Norwegian client and their net present value. As the provision unwinds, the reversal is recorded within finance income (note 6). In the year to December 2021, £506,893 was reversed (2020: £712,639).

5. Operating profit (continued)

As at 31 December 2021 there remains £55,533 to be reversed in finance income as the remaining repayments are due to be received in the period to June 2022.

** As described in note 17, credit risk is inherent in Alpha's business model and the Board accepts that the Group will inevitably incur credit losses from time to time. During the year ended 31 December 2021, two clients with sterling/euro and US dollar/Canadian dollar contracts were unable to meet their obligations and the Group immediately closed out all their open contracts. Subsequently these clients entered administration and as a result the Group recorded a bad debt charge of £2,869,400 (2020: £369,740).

6. Finance income and expenses

	31 December 2021 £'000	31 December 2020 £'000
Finance income		
Finance income to reverse the discount relating to the Norwegian client (note 5)	507	713
Other interest receivable	29	34
Total	536	747
Finance costs		
Interest on bank deposits	(337)	(43)
Finance cost on lease liabilities (note 13)	(344)	(327)
Total	(681)	(370)

7. Employee costs

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

	31 December 2021 £'000	31 December 2020 £'000
Wages and salaries	18,936	13,963
Social security costs	2,075	1,649
Share-based payment charge	260	389
Other pension costs	409	174
Employee benefit expense included in operating profit	21,680	16,175

The average number of employees, including the Executive Directors, was as follows:

	31 December 2021 No.	31 December 2020 No.
Executive Directors	2	2
Sales, administration and support staff	182	133
Total	184	135

7. Employee costs (continued)**Remuneration of key management personnel**

Key management personnel represent those personnel who hold a statutory Directorship of a company within the Group, as well as the Non-Executive Directors.

Key management remuneration and benefits include:

	31 December 2021 £'000	31 December 2020 £'000
Wages and salaries	2,233	1,303
Social security costs	225	212
Share-based payments	8	-
Pension contributions	16	7
Total	2,482	1,522

During 2021 retirement benefits accrued to five Directors (2020: 5) who are regarded as key management personnel within the Group in respect of defined contribution pension schemes.

Further information of the remuneration of the Executive and Non-Executive Directors of the Group, including the highest paid Director and the number of shares held and exercised in the year, is disclosed in the Remuneration Report (page 63).

8. Taxation**Tax charge**

	31 December 2021 £'000	31 December 2020 £'000
Current tax:		
UK Corporation tax charge on the profit for the year	5,816	3,067
UK Corporation tax on the internal transfer of clients*	892	-
Adjustments relating to prior years	(282)	(67)
Overseas Corporation tax charge on the profit for the year	279	-
Total current tax	6,705	3,000
Deferred tax		
Origination and reversal of temporary differences	237	332
Adjustments relating to prior years	-	1
Adjustments relating to change in rate	198	-
Total deferred tax	435	333
Total tax expense	7,140	3,333

8. Taxation (continued)**Factors affecting tax charge for the year**

	31 December 2021 £'000	31 December 2020 £'000
Profit on ordinary activities before tax	33,183	17,137
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19%	6,305	3,256
Effects of:		
Expenses not deductible for tax purposes	392	141
Deferred tax relating to share-based payments	-	37
Adjustments relating to prior years	(282)	(67)
Adjust closing deferred tax in respect of change in future rate of taxation	198	-
Overseas taxation	(365)	(34)
UK corporation tax on internal transfer of clients*	892	-
Total tax charge for the year	7,140	3,333

*When planning for the possibility of a no-deal Brexit and in response to the limited scope covering financial services within the Free Trade Agreement, a wholly-owned subsidiary was established in Malta in March 2021. This enabled the Group to continue to service all clients without disruption both now and in the future. As a result, a number of clients were transferred from Alpha-FX Limited in the UK to Alpha Europe Limited in Malta which has crystallised a one-off tax charge of £892,095 within the UK for the transfer of business.

Unutilised tax losses in relation to Alpha Foreign Exchange (Canada) Limited as at 31 December 2021 were £nil (31 December 2020: £121,683).

Deferred tax

The deferred taxation liability is based on the expected future rate of corporation tax of 25% (2020: 19%) and comprises the following:

	31 December 2021 £'000	31 December 2020 £'000
Liabilities		
At 1 January	626	294
Tax charge relating to current year	237	332
Tax charge relating to change in future tax rates	198	-
Total deferred tax liability	1,061	626

The deferred tax liability as at 31 December 2021 and as at 31 December 2020 relates to the tax effect of timing differences in respect of fixed assets.

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 in issue during the financial 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 dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group.

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

	31 December 2021 pence	31 December 2020 pence
Basic earnings per share	57.7p	31.7p
Diluted earnings per share	55.1p	30.5p
Underlying – basic	58.3p	32.8p
Underlying - diluted	55.7p	31.6p

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

	31 December 2021 No.	31 December 2020 No.
Basic weighted average shares	40,773,748	39,286,578
Contingently issuable shares	1,925,202	1,541,006
Diluted weighted average shares	42,698,950	40,827,584

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

	31 December 2021 £'000	31 December 2020 £'000
Profit after tax for the year	26,043	13,804
Non-controlling interests	(2,512)	(1,335)
Earnings – basic and diluted	23,531	12,469
Share-based payments	260	389
Taxation impact on share-based payments	-	136
Earnings - underlying	23,791	12,994

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10. Dividends

	31 December 2021 £'000	31 December 2020 £'000
Final dividend for the year ended 31 December 2020 of 8.0p per share	3,276	-
Interim dividend for the year ended 31 December 2021 of 3.0p per share	1,229	-
	4,505	-

All dividends paid are in respect of the ordinary shares of £0.002 each.

The Directors propose that a final dividend in respect of the year ended 31 December 2021 of 8.0p per share amounting to £3,277,138 will be paid on 13 May 2022 to all shareholders on the register of members on 19 April 2022. This dividend is subject to approval by shareholders at the AGM and has not been accrued as a liability in these Financial Statements in accordance with IAS 10 'Events after the reporting period'.

11. Intangible assets

	Internally generated software £'000	Domain names £'000	Total £'000
Cost			
At 1 January 2020	1,567	-	1,567
Additions	1,666	-	1,666
Impairment	(561)	-	(561)
At 31 December 2020	2,672	-	2,672
Additions	1,955	37	1,992
Impairment	(121)	-	(121)
At 31 December 2021	4,506	37	4,543
Amortisation			
At 1 January 2020	385	-	385
Charge for the year	496	-	496
Impairment	(283)	-	(283)
At 31 December 2020	598	-	598
Charge for year	940	10	950
Impairment	-	-	-
At 31 December 2021	1,538	10	1,548
Net book value			
At 1 January 2020	1,182	-	1,182
At 31 December 2020	2,074	-	2,074
At 31 December 2021	2,968	27	2,995

12. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2020	1,453	720	410	2,583
Additions	-	70	355	425
Disposals	-	-	(9)	(9)
At 31 December 2020	1,453	790	756	2,999
Additions	-	220	441	661
Disposals	-	-	(1)	(1)
At 31 December 2021	1,453	1,010	1,196	3,659
Depreciation				
At 1 January 2020	49	93	162	304
Charge for the year	150	144	155	449
Disposals	-	-	(5)	(5)
At 31 December 2020	199	237	312	748
Charge for the year	149	159	281	589
Disposals	-	-	(1)	(1)
At 31 December 2021	348	396	592	1,336
Net book value				
At 1 January 2020	1,404	627	248	2,279
At 31 December 2020	1,254	553	444	2,251
At 31 December 2021	1,105	614	604	2,323

During the year, assets with a cost of £1,404 (2020: £9,147) were disposed of. The total profit on disposal of fixed assets was £209 (2020: loss of £781).

13. Right-of-use assets and lease liabilities

Leases where the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less.

In May 2019, the Group signed a ten-year lease for the Head Office Premises in London expiring in May 2029. The rent is subject to a rent review after five years and the lease does not contain any break clause. The incremental borrowing rate used to discount lease liabilities at initial inception is based on the assessment of management of 4.5% (2020: 4.5%).

13. Right-of-use assets and lease liabilities (continued)**Right-of-use assets**

	31 December 2021 £'000	31 December 2020 £'000
At 1 January	6,945	7,750
Depreciation charge for the year	(809)	(805)
At 31 December	6,136	6,945

Lease liabilities

	31 December 2021 £'000	31 December 2020 £'000
At 1 January	7,483	7,931
Finance cost (note 6)	344	327
Payments in the year	(465)	(775)
At 31 December	7,362	7,483

Analysis:

Current (note 22)	450	293
Non-current	6,912	7,190
Total lease liabilities	7,362	7,483

Amounts recognised in the Consolidated Statement of Comprehensive Income

	Total £'000
Depreciation charge on right-of-use assets (note 5)	809
Interest on lease liabilities (note 6)	344
Rental costs for short-term leases (note 5)	179
At 31 December 2021	1,332

In October 2021 a lease was signed for new premises in Amsterdam. The lease has a contractual start date of 1 January 2022 and will be accounted for as a right-of-use asset and a lease liability from that date. It is a ten-year lease with a break option granted to the tenant at 6.5 years. After the end of the rent-free period of six months, rent is payable of €243,000 (£204,052) per annum.

The rental costs for short-term leases amounting to £178,919, (2020: £286,338) relates to leases of less than one year for premises at our other overseas operations.

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14. Subsidiaries

The Group's trading subsidiaries as at 31 December 2021 are as follows:

Name	Country of incorporation	Proportion of ordinary shares held
Direct Holding		
Alpha FX Limited	England ¹	100%
Indirect Holding		
Alpha FX Institutional Limited	England ¹	79.4%
Alpha Foreign Exchange (Canada) Limited	Canada ²	75.0%
Alpha FX Netherlands Limited	England ¹	83.5%
Alpha FX Europe Limited	Malta ³	100%

The principal activity of the Group and its subsidiary undertakings is the development of financial strategies and technologies to assist corporates and institutions in their FX risk management, mass payments and account opening requirements. More detail on which clients and products each subsidiary undertaking focuses on is provided in note 4. Shares in all indirect holdings are held by Alpha FX Limited. The accounting year-ends of all subsidiaries is 31 December 2021.

During the year, there were amendments to share schemes in two subsidiaries. In January 2021 Alpha FX Limited increased its shareholding in Alpha FX Institutional Limited from 74.4% to 79.4%. In May 2021, Alpha FX Limited decreased its shareholding in Alpha FX Netherlands Limited from 100% to 83.5%. More information regarding the share schemes is included in note 24.

The Group's dormant subsidiaries as at 31 December 2021 are as follows:

Name	Country of incorporation	Proportion of ordinary shares held
Direct Holding		
Alpha FX Italy Limited	England ¹	100%
Alpha Europe	Luxembourg ⁴	100%
Alpha Financial Solutions Ltd	England ⁵	100%
We Are Alpha Ltd	England ⁵	100%
Alpha FS Ltd	England ⁵	100%

Alpha Financial Solutions Ltd was incorporated in July 2021. Alpha FX Italy Limited, Alpha FS Ltd and We are Alpha Ltd were incorporated in November 2021. Alpha Europe was incorporated in December 2021.

Registered addresses:

1. Brunel Building, 2 Canalside Walk, London, UK, W2 1DG
2. Suite 2400, 745 Thurlow Street, Vancouver BC, Canada, V6E 0C5
3. 171, Old Bakery Street, Valletta VLT1455, Malta
4. 17 Boulevard F.W. Raiffeisen, L-2411 Luxembourg, Grand Duchy of Luxembourg
5. Kemp House, 160 City Road, London, UK, EC1V 2NX

15. Derivative financial assets and financial liabilities

Derivative financial assets not designated as hedging instruments	31 December 2021		31 December 2020	
	Fair value	Notional principal	Fair value	Notional principal
	£'000	£'000	£'000	£'000
Foreign currency forward and option contracts with customers	69,634	10,625,685	50,695	2,851,994
Foreign currency forward and option contracts with banking counterparties	5,738	5,892,363	1,182	2,462,538
Other foreign exchange forward contracts	514	17,570	2,115	37,663
	75,886	16,535,618	53,992	5,352,195

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

Derivative financial liabilities not designated as hedging instruments	31 December 2021		31 December 2020	
	Fair value	Notional Principal	Fair value	Notional principal
	£'000	£'000	£'000	£'000
Foreign currency forward and option contracts with customers	42,720	8,467,787	17,591	4,278,425
Foreign currency forward and option contracts with banking counterparties	1,722	7,950,554	-	-
	44,442	16,418,341	17,591	4,278,425

Net (losses) on financial assets at fair value through profit or loss	31 December	31 December
	2021	2020
	£'000	£'000
Foreign exchange derivatives	(118)	(711)
	(118)	(711)

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.

15. Derivative financial assets and financial liabilities (continued)

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. The fair value of all other financial assets and financial liabilities is approximate to their carrying value.

As the Group continues to grow, it is entering into an increasing number of longer dated trades that are due for settlement in over 12 months' time. In the prior year, a higher proportion of clients took the decision to close out their contracts early due to uncertainty over their cashflows as a result of COVID-19. Management now believe that a higher proportion of contracts will run to their original value date as clients have increasing certainty over their cash flows. As a result, management has taken the decision to present derivative financial assets and derivative financial liabilities as current and non-current (see note 18 and note 22). Contracts due for settlement in less than 12 months' time are classified as current, and contracts that are due for settlement in over 12 months' time are non-current. If a contract due for settlement in over 12 months' time was closed out by a client within 12 months, the Group would also close out its corresponding contract with its banking counterparty, therefore the treatment of derivative financial assets matches the treatment of derivative financial liabilities.

16. Financial instruments

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

	31 December 2021 £'000	31 December 2020 £'000
a) Financial assets per statement of financial position		
Fair value assets		
Derivatives not designated as hedging instruments (note 15)	75,886	53,992
Total fair value assets	75,886	53,992
Amortised cost assets		
Financial assets at amortised cost	5,803	17,636
Other receivables excluding prepayments	2,542	3,335
Cash and cash equivalents	108,044	82,972
Other cash balances	3,506	4,025
Total amortised cost assets	119,895	107,968
Total financial assets	195,781	161,960

	31 December 2021 £'000	31 December 2020 £'000
b) Financial liabilities per statement of financial position		
Fair value liabilities		
Derivatives not designated as hedging instruments (note 15)	44,442	17,591
Total fair value liabilities	44,442	17,591
Other payables measured at amortised cost		
Other payables and accruals	41,173	55,452
Total other payables	41,173	55,452
Total financial liabilities	85,615	73,043

c). Offsetting financial assets and financial liabilities

Financial instruments at fair value through profit or loss represent immediate back-to-back derivative transactions with banking counterparties and are reported as separate financial assets and financial liabilities in the consolidated statement of financial position. The transactions are subject to ISDA ("International Swaps and Derivatives Association") Master Agreements and similar master agreements which provide a legally enforceable right of offset in the normal course of business, the event of a default and the event of insolvency or bankruptcy. In accordance with the master agreements, contracts with banking counterparties are assessed daily on a net basis. However, contracts with customers are assessed daily on a gross basis.

16. Financial instruments (continued)

Amounts subject to enforceable netting arrangements					
	Gross fair value	Variation margin offset	Fair value Offset	Net derivative financial asset/(liability) (Note 15)	Other cash balances
2021	£'000	£'000	£'000	£'000	£'000
Derivative financial assets	122,508	-	(46,622)	75,886	3,506
Derivative financial liabilities	(99,444)	8,380	46,622	(44,442)	-

Amounts subject to enforceable netting arrangements					
	Gross fair value	Variation margin offset	Fair value Offset	Net derivative financial asset/(liability) (Note 15)	Other cash balances
2020	£'000	£'000	£'000	£'000	£'000
Derivative financial assets	76,246	-	(22,254)	53,992	4,025
Derivative financial liabilities	(57,579)	17,734	22,254	(17,591)	-

17. Financial risk management**Objectives, policies and processes for managing and the methods used to measure risk**

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise stated in this note.

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, market risk, foreign currency risk and interest rate risk each of which are discussed in further detail below.

The Group monitors and mitigates financial risk on a consolidated basis. The Group has implemented a framework to ensure that the Directors have in place risk management practices appropriate to a listed company.

17. Financial risk management (continued)

The Group operates under the Three Lines of Defence approach to risk management. This framework is overseen and enforced by the Risk Committee and Board.

1. Line 1 is risk management: Primary responsibility for strategy, performance and risk management lies with the Executive Team and the Heads of each department.
2. Line 2 is risk oversight: The Risk, Compliance, Finance and Legal Teams provide risk oversight.
3. Line 3 is independent assurance: Independent assurance on the effectiveness of the risk management systems. Specialist external reviews provide an additional line of defence.

Credit risk

Credit risk is inherent in Alpha's business model. The Board accepts that credit losses are a function of our trading model and the Group takes a risk-based approach to balance revenue opportunities against the risk of default. Credit risk is the risk that a client fails to deliver currency at maturity of a contract and/or fails to deposit margin when a margin call is made which could ultimately lead to a financial loss.

Where the Group provides credit to customers, this is subject to credit verification checks and an in-depth underwriting process by our Credit Team based on both quantitative and qualitative factors. The client terms and conditions and the credit facility confirmation letter highlights the client's margin terms and requirement to provide collateral. This provides further mitigation to the credit exposure and reduces the risk of potential disputes. Credit policies are aimed at reducing the impact of losses, credit terms will only be granted to customers who demonstrate an appropriate payment history and satisfy a creditworthiness assessment. 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.

During the prior year, the Group introduced more stringent metrics for measuring credit risk with additional formal escalation procedures. Credit risk reporting and collateral scenario testing has also improved due to the implementation of a new liquidity and credit analytics system.

Counterparty exposures are monitored in real time. Stress tests are carried out to assess and minimise client credit risk exposures under various market volatility scenarios. The Group's maximum exposure to credit risk is illustrated in the financial assets table in note 16.

Client settlement agreement

In 2020, the Group entered into a settlement agreement with a Norwegian client in respect of their obligations for unpaid margin. An impairment provision of £611,992 was calculated using a lifetime expected credit loss (ECL) model by looking at the time value of money, forward looking information and historical rates.

17. Financial risk management (continued)

All weekly repayments continue to be received on time which is testament to the client's strong financial standing and the robustness of our credit underwriting. The impairment provision outstanding at 31 December 2021 of £27k will reverse in full as repayments are received in the period to June 2022.

Additionally, a net provision of £0.5m was reversed in the year relating to the difference between the nominal value of future payments from the Norwegian client and their net present value (see note 5). This balance of £0.1m will reverse in full in finance income as repayments are received in the period to June 2022.

Counterparty risk

The Group relies on third party institutions in order to trade with clients. To reduce counterparty credit risk, the Group only trades with institutional counterparties with robust balance sheets, high credit ratings and strong capital resources. The Group monitors the creditworthiness of institutional counterparties on an ongoing basis. As part of the Group's business continuity procedures settlement lines have been established with several institutional counterparties in order to reduce the impact of business disruption as a result of counterparty risk.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its financial obligations as they are due. Extensive controls are in place to ensure that liquidity risk is mitigated. The Group's liquidity requirements are reviewed daily, and the Group employs stress testing to model the sufficiency of its liquidity in stressed market scenarios. The ability of clients to pay margin and settle contracts is monitored 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 ongoing basis.

The Group attempts to ensure it maintains (as closely as possible) a balanced position in each currency, with regular stress testing of its net long/short position in a particular currency against sudden and unforeseen market movements ("Black Swan Events").

The Group has sufficient cash resources 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. 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.

17. Financial risk management (continued)**Derivative assets – forward currency contracts with customers**

		Total	0-3 months	3-6 months	6-12 months	12 Months+
		£'000	£'000	£'000	£'000	£'000
2021						
Buy currency	Inflow	1,414,652	696,650	245,701	309,842	162,459
Sell currency	Outflow	(1,005,294)	(422,027)	(161,725)	(226,824)	(194,718)
	Netted	409,358	274,623	83,976	83,018	(32,259)
		Total	0-3 months	3-6 months	6-12 months	12 Months+
		£'000	£'000	£'000	£'000	£'000
2020						
Buy currency	Inflow	904,518	379,056	202,718	220,635	102,109
Sell currency	Outflow	(695,618)	(206,932)	(113,530)	(178,434)	(196,722)
	Netted	208,900	172,124	89,188	42,201	(94,613)

Derivative liabilities – forward currency contracts with brokers

		Total	0-3 months	3-6 months	6-12 months	12 Months+
		£'000	£'000	£'000	£'000	£'000
2021	Netted	(410,043)	(277,763)	(84,290)	(82,658)	34,668
2020	Netted	(211,426)	(174,183)	(90,786)	(41,428)	94,971

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

Other liabilities

At 31 December 2021	Total	On demand	Up to 1 year	1-2 years	2-10 years
	£'000	£'000	£'000	£'000	£'000
Other payables and accruals	41,173	-	41,173	-	-
Lease liabilities	7,362	-	450	929	5,983
	48,535	-	41,623	929	5,983
At 31 December 2020	Total	On demand	Up to 1 year	1-2 years	2-10 years
	£'000	£'000	£'000	£'000	£'000
Other payables and accruals	55,452	-	55,452	-	-
Lease liabilities	7,483	-	293	450	6,740
	62,935	-	55,745	450	6,740

17. Financial risk management (continued)

Market risk

Market risk is minimised by the operation of matched derivative transactions, whereby all derivatives sold to customers are matched on a back-to-back basis with an offsetting derivative from a banking counterparty. 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 may from time to time buy treasury hedges from its banking counterparties, that are not matched with the client, to limit the tail risk of individual trades. The treasury hedges involve buying an option and therefore the Group has the right to trade rather than an obligation so there is no downside risk on these transactions.

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 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. Therefore, the Group does not incur interest on overdue balances.

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 from period to period 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 fair value through profit or loss.

The Group's policy is to reduce the risk associated with the revenue denominated in foreign currencies by using forward fixed rate currency hedges. The settlement of these forward foreign exchange contracts is expected to occur within the following twelve months. Changes in the fair values of forward foreign exchange contracts are recognised directly in the consolidated statement of comprehensive income.

Foreign currency risk – sensitivity analysis

The Group's principal recurring foreign currency transactions are in Euros, US Dollar and Canadian Dollar.

17. Financial risk management (continued)

The table below shows the impact on the Group's operating profit and equity, of a 10% change in the exchange rate of the principal currencies, euro, US dollar and Canadian dollar.

	Impact on profit after tax		Impact on equity	
Year ended 31 December	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Euro:				
10% weakening in the £/€ exchange rate	4,613	2,107	573	793
10% strengthening in the £/€ exchange rate	(3,774)	(1,724)	(469)	(649)
US dollar:				
10% weakening in the £/\$ exchange rate	1,269	678	386	2,557
10% strengthening in the £/\$ exchange rate	(1,039)	(555)	(316)	(2,092)
Canadian dollar:				
10% weakening in the £/\$ exchange rate	408	165	305	2,008
10% strengthening in the £/\$ exchange rate	(334)	(135)	(250)	(1,643)
Exchange rates for financial year 2021	2021		2020	
Euro:				
Average rate	1.1630		1.1246	
Closing rate	1.1909		1.1169	
US dollar:				
Average rate	1.3751		1.2841	
Closing rate	1.3543		1.3667	
Canadian dollar:				
Average rate	1.7244		1.7201	
Closing rate	1.7112		1.7407	

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.

17. Financial risk management (continued)**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 retains creditor and market confidence, provides flexibility for business development, ensures adherence to regulatory requirements, whilst optimising returns to shareholders.

The Group monitors its total equity as shown in the consolidated 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 2021 £'000	31 December 2020 £'000
Current:		
Trade receivables (derivative financial assets – note 15)*	58,551	53,992
Financial assets at amortised cost	5,803	11,804
Other receivables	2,542	3,335
Prepayments	1,462	1,345
	68,358	70,476
Non-current:		
Trade receivables (derivative financial assets – note 15)*	17,335	-
Financial assets at amortised cost	-	5,832
Total trade and other receivables	85,693	76,308

*Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions (note 15). At 31 December 2021 and 31 December 2020, the receivables are shown net of the Credit Value Adjustment.

As the Group continues to grow, it is entering into an increasing number of longer dated trades that are due for settlement in over 12 months' time. In the prior year, a higher proportion of clients took the decision to close out their contracts early due to uncertainty over their cashflows as a result of COVID-19. Management now believe that a higher proportion of contracts will run to their original value date as clients have increasing certainty over their cash flows. As a result, management has taken the decision to present derivative financial assets as current and non-current as at 31 December 2021, based upon their expectations of when the contract will be realised.

Contracts due for settlement in less than 12 months' time are classified as current, and contracts that are due for settlement in over 12 months' time are non-current. However, as this has been a change in management expectation in the year to 31 December 2021, the derivative financial assets in the year to 31 December 2020 have not been reclassified as current and non-current.

Alpha FX Group plc

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 2021 £'000	31 December 2020 £'000
Cash and cash equivalents	108,044	82,972
Variation margin called by counterparties (note 16c)	8,380	17,734
Other cash balances	3,506	4,025
Total cash	119,930	104,731

Cash at bank is made up of the following currency balances:

	31 December 2021 £'000	31 December 2020 £'000
British pound	90,072	52,276
Euro	(22,705)	43,124
US dollar	50,046	5,872
Canadian dollar	1,376	644
Other currencies	1,141	2,815
	119,930	104,731

The overdrawn euro balance of £22,704,566 at 31 December 2021 represents a short-term timing difference over the year end. One leg of a trade settled on the last working day of the year, and the corresponding USD entry was higher by the equivalent amount, offsetting to nil on a net basis. This un-wound on the first working day of 2022.

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. All changes in financial liabilities arising from financing activities, other than the lease liability taken out in 2019, are due to cash flow movements and are shown in the consolidated statement of cash flows within cash flow from financing activities.

Alpha FX Group plc

20. Capital and reserves

Share capital

	At 31 December 2021		At 31 December 2020	
	No.	£'000	No.	£'000
Authorised, issued and fully paid				
Ordinary shares of £0.002 each	40,964,225	82	40,123,568	80

Number of shares	Ordinary shares
At 1 January 2020	37,123,956
Shares issued on vesting of share option schemes	58,435
Shares issued on placing	2,941,177
At 31 December 2020	40,123,568
Shares issued on vesting of share option schemes	840,657
At 31 December 2021	40,964,225

The following movements of share capital occurred during the year ended 31 December 2021:

On 23 March 2021, the Company issued 822,873 new shares following the vesting of shares under the B and C Growth Share Schemes.

On 23 March 2021, the Company issued 2,403 new shares in respect of shares issued following the early exercise by an employee of the SAYE share scheme.

On 19 April 2021, the Company issued 2,596 new shares in respect of shares issued following the early exercise by an employee of the SAYE share scheme.

On 10 September 2021, the Company issued 12,785 new shares in respect of shares issued to a former employee of Alpha FX Institutional Limited as part of a settlement agreement.

The following movements of share capital occurred during the year ended 31 December 2020:

On 9 April 2020, the Company issued 2,941,177 new shares following a placing.

On 18 August 2020, the Company issued 1,038 new shares in respect of shares issued following the early exercise by an employee of the SAYE share scheme.

On 17 September 2020, the Company issued 57,397 new shares following the exercise of the unapproved share option scheme.

20. Capital and reserves (continued)

Share premium account

In the year ended 31 December 2021 the share premium account increased by £175,341 due to shares vesting as a result of a settlement agreement. The share premium account increased by a further £25,986 as a result of shares vesting due to two early exercises of the SAYE scheme.

In the year ended 31 December 2020 the share premium account increased by £19,194,593 as a result of a placing on 9 April 2020 of £19,994,121 less the directly attributable costs of the new equity, amounting to £804,924. The share premium account increased by a further £5,396 as a result of shares vesting due to an early exercise of the SAYE scheme.

Capital redemption reserve

The reserve of £3,701 arose following the buy-back of shares in prior years.

Merger reserve

The merger reserve of £666,529 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.

Translation reserve

The translational reserve of (£123,429) (2020: £23,889) represents the foreign exchange differences arising from the translation of the net investment in foreign entities.

Alpha FX Group plc

21. Non-controlling interests

Non-controlling interests ("NCI's") include the following:

- Alpha Foreign Exchange (Canada) Limited ("Canada") in which the NCI's own 25%.
- Alpha FX Institutional Limited ("Institutional") in which the NCI's shareholding reduced from 25.6% to 20.6% in January 2021.
- Alpha Pay, a division of Alpha FX Limited in which voting shares held by the NCIs decreased from 13.6% at the start of the year to 12.6% in May 2021 followed by a further decrease to 8.21% in December 2021. A further 6.6% of the shares (8% prior to August 2020) are held by employees, but these shares are not included in the NCI as the shares confer no upfront economic rights to their holders and are not entitled to receive dividends, receive notice of, attend, speak or vote at general meetings of the Company and are not entitled rights to participate in any distributions upon a liquidation or capital reduction of the Company.
- Alpha FX Netherlands Limited ("Netherlands") in which the NCI's shareholding increased from 0% to 16.5% in May 2021.

Below shows summarised financial information for each subsidiary and division that has non-controlling interests that are material to the Group. The amount disclosed are before intra-group eliminations.

	Institutional		Canada		Alpha Pay		Netherlands	
	31 December 2021 £'000	31 December 2020 £'000	31 December 2021 £'000	31 December 2020 £'000	31 December 2021 £'000	31 December 2020 £'000	31 December 2021 £'000	31 December 2020 £'000
Revenue	15,634	8,774	5,497	2,131	18,330	7,226	3,783	274
Profit/(loss) after taxation	5,175	3,661	1,473	181	6,219	2,332	1,627	(472)
Profit allocated to non-controlling interests	1,070	1,021	368	46	804	268	269	-
Dividends declared to non-controlling interests	(910)	(885)	-	-	(829)	(135)	-	-
As at 31 December								
Assets								
Non-current assets	5	10	16	24	-	-	183	8
Current assets	7,292	4,958	1,184	-	804	268	1,905	9
Liabilities								
Current liabilities	(3,531)	(1,850)	(228)	(804)	-	-	(199)	(406)
Net assets/(liabilities)								
	3,766	3,118	972	(780)	804	268	1,889	(389)

Alpha FX Group plc

22. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Current:		
Trade payables (derivative financial liabilities – note 15)*	36,697	17,591
Other payables	34,363	51,621
Other taxation and social security	1,018	974
Accruals and deferred income	6,810	3,831
	78,888	74,017
Non-current:		
Trade payables (derivative financial liabilities – note 15)*	7,745	-
Total trade and other payables	86,633	74,017

*Trade payables represent the fair value of derivative financial liabilities arising as a result of matched principal transactions (note 15).

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.

Included within accruals and deferred income is £2,192,742 (2020: £nil) relating to deferred annual account fee revenue.

In the scenario of longer-dated trades due for settlement in over 12 months' time (see note 18), although a client can close out their position within 12 months, the Group would still be obliged to fulfil the terms of that contract with the respective banking counterparty at the original value date. Therefore, the liability would remain non-current. Due to this, management have taken the decision to present derivative financial liabilities as current and non-current, matching the treatment of derivative financial assets. Contracts due for settlement in less than 12 months' time are classified as current, and contracts that are due for settlement in over 12 months' time are non-current. However, as there has been a change in management expectation in the year to 31 December 2021, the derivative financial liabilities in the year to 31 December 2020 have not been reclassified as current and non-current.

23. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both.

Subsidiaries

The Parent Company of the Group is Alpha FX Group plc. Note 14 provides information about the subsidiaries and the holding company. Details of the ultimate controlling party can be found in note 25.

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

Key Management personnel

The Group considers its key management personnel to be the Directors of Companies within the Group.

The compensation of the Directors of the Company, together with their shareholding, is included in the Remuneration Committee report on pages 63-66.

Loans with key management personnel

As at 31 December 2021 there was a loan balance outstanding with A J Hall, a Director of Alpha FX Institutional Limited, amounting to £63,650 (2020: £63,650) and a loan balance outstanding with S J Marsh, a Director of Alpha FX Institutional Limited, amounting to £173,850 (2020: £nil). Both loans were in respect of shares that were issued partly paid. These balances will be repaid in part on the first vesting of the Institutional shares in March 2022 (see note 26). The intention is for the remainder of the loan balances to be repaid via a deduction from dividends payments throughout 2022.

Transactions with key management personnel

During the year, Alpha FX Limited traded gross foreign currency contracts with; C I Kahn £31,102 (2020: £nil) and M E Stuart £49,768 (2020: £93,814).

Other entities

During the year, the Group purchased goods and services totalling £511,516 (2020: £209,197) on an arms-length basis from Klarify Group LTD (formerly Alphaware Group Limited), a multi-cloud and cyber security specialist in which M J Tillbrook has a 42% (2020: 40%) beneficial ownership.

24. 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).

B Growth Share Scheme

Under the B Growth Share Scheme, selected employees of the Group who were employed prior to the Company's IPO in 2017, were 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 vest in five equal annual instalments from 31 December 2017 to 31 December 2021. Vesting required 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 Company over the 60 days prior to the exercise of the put option. The B shares were subscribed for at their nominal value with the employee settling the applicable tax based on the market value at the date of grant.

Following the exercise of 303 B Growth Shares in respect of the year ended 31 December 2019, 535,300 shares in Alpha FX Group plc were issued as consideration in March 2021. Due to the impact of COVID-19, the issuance of these shares had been deferred from March 2020, with all future issuances similarly deferred by a year.

In March 2021, following the revenue growth target for the year being met in respect of the year ended 31 December 2020, 351 B Growth Shares were exercised when the share price of the Company was 1371p. As a result, 630,279 shares in Alpha FX Group plc were due to be issued as consideration in March 2022.

Following the revenue growth target for the year ended 31 December 2021 being met and, based on share price of the Company of 2185p as at 31 December 2021, it is estimated that upon exercise of the put options the Company will issue 678,236 shares in March 2023. This represents the final vesting of the B Growth Share Scheme.

The share-based payment charge of the B Growth Shares in the year ended 31 December 2021 was £nil (2020: £nil).

C Growth Share Scheme

In October 2018, the Group adopted a C Growth Share Scheme, under which 863 C ordinary shares ("C Shares") in Alpha FX Limited (the "Company") were issued to full-time employees of the Group ("C Share Growth Scheme").

24. Share-based payments (continued)

The C Shares confer no upfront economic rights to their holders and in particular holders of the C Shares are not entitled to receive dividends, receive notice of, attend, speak or vote at general meetings of the Company and are not entitled rights to participate in any distributions upon a liquidation or capital reduction of the Company.

The C Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Group. The rate of conversion is that the C Shares will be regarded as worth a pro rata share of the share price gain of Alpha FX Group plc above a hurdle price of 550p based upon the market price of Alpha FX Group plc at the time of allotment.

Upon conversion, the number of ordinary shares in Alpha FX Group plc that a C Shareholder will receive is such number of ordinary shares whose value is equivalent to the Group's closing share price at the conversion date. Conversion is only permitted to the extent that the C Shares have vested.

In the prior year the terms of the C Share Growth Scheme were amended such that the remaining C Shares will vest in three tranches, occurring annually, starting on 31 December 2021 until 31 December 2023. The C Share Growth Scheme now also includes a requirement for Group revenue to grow 25% in 2021, 20% in 2022 and 20% in 2023 in order for vesting to occur. The gain that a C Shareholder can receive is capped at a ceiling on the maximum market capitalisation of Alpha of £650m. As a result, the C Shareholders will be entitled to a pro rata share of the gain in market capitalisation of Alpha between the hurdle price at the time of allotment and the market capitalisation ceiling of £650m. If a participating employee either leaves employment with the Group or commits a performance breach (broadly conduct detrimental to the business and reputation of the Group), the Group is entitled to buy back the relevant C Shares at cost.

In March 2020, 259 C Growth Shares were exercised when the share price of the Company was 1215p, in respect of the year ended 31 December 2019. Due to the impact of COVID-19, the issue of these shares was deferred to March 2021 and 287,573 shares in Alpha FX Group plc were issued on that date as consideration. There is no vesting of C shares in respect of the year ended 31 December 2020.

Based on share price of the Company of 2185p as at 31 December 2021 and following the revenue growth target for the year being met for the C Growth Shares, it is estimated that upon exercise of the put options in respect of the year ended 31 December 2021, the Company will issue 191,768 shares in March 2022.

The share-based payment charge of the C Growth Shares in the year ended 31 December 2021 was £123,024 (2020: £209,766).

24. Share-based payments (continued)

E share growth scheme

In the prior year the Group adopted an E Share Growth Scheme under which 882 E ordinary shares ("E Shares") in Alpha FX Limited were issued to full time employees of the Group ("E Share Growth Scheme"). The E Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Group. The E Shares will vest in four equal tranches, occurring annually, starting on 31 December 2021 until 31 December 2024. Vesting will require Group revenue growth of 25% in 2021, 20% in 2022, 20% in 2023 and 20% in 2024.

The rate of conversion of the E Shares, is a pro rata share of the market capitalisation gain of Alpha above a hurdle price of £300m. The gain that an E Shareholder could receive is capped through placing a ceiling on the maximum market capitalisation of Alpha of £650m. The result of doing so is that the E Shareholders will be entitled to a pro rata share of the gain in market capitalisation of Alpha between £300m and the market capitalisation ceiling of £650m.

Upon conversion, the number of ordinary shares in the Group an E Shareholder will receive is such number of ordinary shares whose value is equivalent to the Group's closing share price at the conversion date. Conversion is only permitted to the extent that the E Shares have vested.

Based on share price of the Company of 2185p as at 31 December 2021 and following the revenue growth target for the year being met for the E Growth Shares, it is estimated that upon exercise of the put options in respect of the year ended 31 December 2021, the Company will issue 152,318 shares in March 2022.

The share-based payment charge of the E Growth Shares in the year ended 31 December 2021 was £69,713 (2020: £148,561).

Details of the outstanding shares in Alpha FX Limited in respect of the above schemes are as follows:

	31 December 2021			31 December 2020		
	B Growth Share Scheme No.	C Growth Share scheme No.	E Growth Share scheme No.	B Growth Share Scheme No.	C Growth Share Scheme No.	E Growth Share scheme No.
Outstanding at beginning of year	709	568	882	1,012	841	-
Granted in the year	-	-	-	-	-	882
Exercised in the year*	(351)	-	-	(303)	(259)	-
Forfeited in the year	-	-	-	-	(14)	-
Outstanding at end of year	358	568	882	709	568	882

*The 351 B shares that were exercised in the year were in respect of the ended 31 December 2020 and the shares in the Company will not be issued until March 2022.

24. Share-based payments (continued)

The fair value of the Growth Share Schemes 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. When determining the grant date fair value of awards, service and non-market performance conditions are not considered. 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 at the date of grant were as follows:

	B Growth Share Scheme	C Growth Share Scheme	E Growth Share Scheme
Expected volatility %	25.0%	25.0%	45%-55%
Risk free interest rate %	0.09%	0.75%	0.10%
Option life (years)	3	5	5
Starting equity value (£m)	£33.6m	£186.6m	£300.0m

SAYE scheme

In December 2018, the Group announced that it had launched a scheme for all employees under which they are granted an option to purchase ordinary shares in the Group under a HMRC-approved SAYE scheme. Options are granted at a 20% discount to the market price of the shares on the day preceding the date of offer and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options.

During the year, 4,999 shares were issued by Alpha FX Group plc in respect of the early exercise for good leavers. At 31 December 2021, options were outstanding over 108,671 shares (31 December 2020: 126,054 shares). The assumptions used in the measurement of the fair value at grant date of the Sharesave plans are as follows:

Share price at date of grant	578p
Exercise price at date of grant	520p
Expected volatility %	25%
Risk free interest rate %	0.75%
Option life (years)	3
Dividend yield %	0.7%

The share-based payment charge of the SAYE scheme the year ended 31 December 2021 was £35,139 (2020: £51,095).

Alpha FX Group plc

24. Share-based payments (continued)

Alpha FX Institutional Limited

Alpha FX Institutional Limited was incorporated in 2018, and at 31 December 2021 is owned 20.6% by the management team.

With the initial share award, the individuals have the option to convert a percentage of their holding into Group shares over a four-year period, based upon strict performance criteria, with the first year of conversion being the year ended 31 December 2021. 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.

Following the continued success of the Institutional Division, the Group adjusted the employee share ownership incentive scheme in November 2019 to include additional key employees. These individuals have the option to convert a percentage of their holding into Group shares over a four-year period, based upon strict performance criteria, with the first year of conversion being the year ended 31 December 2022.

Based on share price of the Company of 2185p as at 31 December 2021, it is estimated that the Company will issue 87,218 shares in respect of the year ended 31 December 2021.

The share-based payment charge in the year ended 31 December 2021 was £31,906 (2020: £6,015).

Alpha Foreign Exchange (Canada) Limited

In 2019 the Group announced the share ownership plan for Alpha Foreign Exchange (Canada) Limited which is 25% owned by management. Under the agreement, management can exchange 25% of the shares they hold in the subsidiary for new ordinary shares in the Company in each of the financial years ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024. As the shares held by the management in the subsidiary is reduced over time, Alpha FX Limited's shareholding over the subsidiary will commensurately increase.

Alpha Pay (formerly Alpha Platform Solutions)

In 2019 the Group announced that it had put in place an employee share ownership incentive scheme for certain individuals employed in the Group's newly formed business division, Alpha Pay (formerly Alpha Platform Solutions). A new class of shares ("D Shares") in Alpha FX Limited was created.

The value of the D Shares will be linked to the performance of the Alpha Pay business. Under the initial share award, from March 2023, the Alpha Pay Participants will have the option to convert 25% of their holding of D Shares into Group shares each year for four years (with the final option being exercisable in March 2026). At conversion, and in exchange for converting their D shares into shares in the Group, the APS Participants' holding of D Shares in Alpha FX Limited will commensurately decrease and the Group's holding will commensurately increase.

24. Share-based payments (continued)

Following the continued success of Alpha Pay, in December 2021 the Group adjusted the employee share ownership scheme to include additional new employees to support the ongoing growth of the division. As a result, a new class of non-dividend bearing and non-voting D3 shares and D4 shares were issued. The value of the D3 Shares and D4 Shares will be linked to the performance of the Alpha Pay business and are structured in a similar way to the existing D shares issued in 2019. The D3 Shareholders will have the option to convert 25% of their holding of D3 Shares into ordinary shares of the Group each year for four years commencing from March 2024 (with the final option being exercisable in March 2027). The D4 Shareholders will have the option to convert 25% of their holding of D4 Shares into Group Shares each year for four years commencing from March 2025 (with the final option being exercisable in March 2028). At conversion, and in exchange for converting their D3 shares and D4 Shares into Group Shares, the D3 shares held by the D3 Shareholders and the D4 Shares held by the D4 Shareholders in Alpha FX Limited will commensurately decrease and the Group's holding will commensurately increase.

At 31 December 2021 the Group owned 81.6% of the issued shares of the division (31 December 2020: 79.8%). However, for accounting purposes. The Group's share of the profits and voting rights at 31 December 2021 was 91.8% (31 December 2020: 86.4%).

Alpha FX Netherlands Limited

Following the establishment of our Netherlands business in 2020, in May 2021 the Group announced a new share scheme to incentivise key personnel within Alpha FX Netherlands Limited.

As a result of issuing the new shares, the share capital of Alpha FX Netherlands Limited will be 83.5% owned by Alpha FX Limited, with the balance split between two key individuals. These individuals have the option to exchange 25% of the shares they hold in Alpha FX Netherlands Limited for new ordinary shares in the Company for each of the financial years ended 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026. The shares exchanged will be valued with reference to an 8x multiple of underlying profit after tax achieved by Alpha FX Netherlands Limited. As the shares held by the management in the subsidiary is reduced over time, Alpha FX Limited's shareholding over the subsidiary will commensurately increase.

Other share schemes

In the year ended 31 December 2020 a Director of the Company exercised an unapproved option agreement that was awarded in the year ended 31 December 2017, resulting in the issue of 57,397 shares.

The Group recognised a total expense related to all the above equity-settled share-based payment transactions in the year ended 31 December 2021 of £259,782 (2020: £388,622).

The Group operates several growth share schemes where shares in subsidiary entities are awarded to employees and are converted into shares in the Company at a future date based on pre-determined vesting criteria.

24. Share-based payments (continued)

The Group obtains external tax valuations for all share schemes from an independent third party prior to issue and obtains indemnities from all employees for any future tax liabilities that may arise.

Should any additional payroll tax liabilities arise, in the first instance, they would be paid by the subsidiary company and the tax indemnities would ensure recovery of any additional tax liabilities from the growth shareholders. The Board has assessed that should such an event occur, there would not be a material impact on the Group's net assets or the result for the year.

25. Ultimate controlling party

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

26. Events after the reporting period

In the lead up to and following Russia's invasion of Ukraine, the Group has taken the necessary precautions to mitigate the impact on our business. The Group has historically had limited exposure to the Russian rouble, currently 0.02% of the forward book, across two clients with strong financial standing. In addition, there are only a small number of clients with direct exposure to Eastern European currencies making up 1.7% of the forward book. These clients have all undergone a detailed credit review in light of recent events and those that have not already closed out their contracts continue to hold positions based on the strength of their credit standing. We continue to monitor our client base for businesses that have the potential to feel wider knock-on effects from the conflict.

There has been no material impact to the Group to date, nor does the Group anticipate any material impact to trading moving forward. However, recognising that the situation is developing rapidly, we will continue to review and monitor it closely.

Following the vesting of the B Growth Share Scheme for the year ended 31 December 2020, the Company will be issuing 630,279 shares in March 2022. Following the revenue growth target for the year ended 31 December 2021 being met for the B Growth Share Scheme the Company will issue 675,419 shares in March 2023.

Following the vesting of the C Growth Share Scheme for the year ended 31 December 2021, the Company will be issuing 219,494 shares in March 2022.

Following the vesting of the E Growth Share Scheme for the year ended 31 December 2021, the Company will be issuing 174,345 shares in March 2022.

Following the first year of vesting of the Alpha FX Institutional Limited share scheme for the year ended 31 December 2021, the Company will be issuing 99,828 shares in March 2022.

Following the vesting of the SAYE scheme, the Company will be issuing a total of 108,671 shares over the next few months starting on 25 March 2022, with the date of allotment dependent upon when employees elect to exercise their option during the prescribed window.

Alpha FX Group plc

Company Statement of financial position

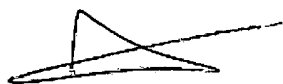
As at 31 December 2021

Company number: 07262416

		As at 31 December 2021 £'000	As at 31 December 2020 £'000
	<i>Notes</i>		
Non-current assets			
Investments	4	52,398	2,065
Total non-current assets		52,398	2,065
Current assets			
Trade and other receivables	5	10,518	54,945
Current tax asset		249	65
Total current assets		10,767	55,010
Total assets		63,165	57,075
Equity			
Share capital	8	82	80
Share premium account		50,783	50,582
Capital redemption reserve		4	4
Merger reserve		667	667
Retained earnings		11,609	5,688
Total equity		63,145	57,021
Current liabilities			
Trade and other payables	6	20	54
Total current liabilities		20	54
Total equity and liabilities		63,165	57,075

The Company reported a profit for the year ended 31 December 2021 of £10,199,472 (2020: £431,753).

The financial statements of Alpha FX Group plc were approved by the Board of Directors on 15 March 2022 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 2021

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	74	31,388	4	667	4,847	36,980
Profit for the year	-	-	-	-	432	432
<i>Transactions with owners</i>						
Shares issued in relation to SAYE share scheme	-	5	-	-	-	5
Shares issued on placing	6	19,994	-	-	-	20,000
Cost of shares issued on placing	-	(805)	-	-	-	(805)
Share-based payments	-	-	-	-	409	409
Balance at 31 December 2020	80	50,582	4	667	5,688	57,021
Profit for the year	-	-	-	-	10,200	10,200
<i>Transactions with owners</i>						
Shares issued on vesting of share option scheme	2	175	-	-	(2)	175
Shares issued in relation to SAYE share scheme	-	26	-	-	-	26
Share-based payments	-	-	-	-	228	228
Dividends paid	-	-	-	-	(4,505)	(4,505)
Balance at 31 December 2021	82	50,783	4	667	11,609	63,145

Notes to the Company Financial Statements

For the year ended 31 December 2021

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 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 ("£"), and all values are rounded to the nearest thousand ("£'000") except where otherwise indicated.

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 statement of comprehensive income for the year. The Company reported a profit for the financial year ended 31 December 2021 of £10,199,472 (2020: £431,753).

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 and details of the subsidiary companies are disclosed in note 14 to the Consolidated Financial Statements.

	31 December 2021 £'000	31 December 2020 £'000
Balance at 1 January	2,065	1,707
Share for share exchange	333	358
Issue of share capital in subsidiary	50,000	-
Balance at 31 December	52,398	2,065

The additional investments in the year represent share-based payments for employee share schemes in the subsidiary company, a buyback of shares from employees that left the business in the year and a capital injection in Alpha FX Limited for £50.0m (2020: nil) to meet the increasing regulatory capital requirements.

5. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Amount owed by Group undertaking	10,518	54,945
	10,518	54,945

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

6. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Accruals	20	54
	20	54

7. Employee costs

Other than the Directors, the Company did not have any employees during the year (2020: nil). All staff are employees of the subsidiary undertaking.

8. Share capital

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

Alpha FX Group plc

SHAREHOLDER INFORMATION

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