

Alpha FX Limited

Financial Statements for the year ended 31 December 2018

for

Alpha FX Limited

Company no. 05108142

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Alpha FX Limited

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Alpha FX Limited

Company Information for the year ended 31 December 2018

DIRECTORS:

T C Kidd
H Lisney
B J Rayment
M J Tillbrook

REGISTERED OFFICE:

2 Eastbourne Terrace,
Paddington,
London,
W2 6LG

REGISTERED NUMBER:

05108142 (England and Wales)

AUDITORS:

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

Alpha FX Limited

Strategic report

for the year ended 31 December 2018

INTRODUCTION

The Directors present their report with the financial statements of the Company for the year ended 31 December 2018.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Alpha FX Limited is a leading foreign exchange specialist helping businesses and institutions to manage their currency exposures more effectively and efficiently. Alpha provides strategies, analysis and technology to help clients manage their currency exposures more effectively, whilst saving them time and resource. We pair these solutions with a variety of transactional services, ranging from hedging products to international payments, providing a comprehensive solution for our clients' foreign exchange needs.

2018 was another excellent year for Alpha. The Company saw impressive revenue growth and strong levels of profitability, particularly given the increased cost base and investment in infrastructure throughout the year, designed to deliver future growth. This performance continued to be spearheaded by the core UK corporate market and by increasing penetration into European markets being serviced from our London headquarters.

The impressive performance to date demonstrates the appeal of our products and services in existing as well as new verticals and geographies. We are as yet only skimming the surface of the potential of the Company. Our present volumes of business represent only a small percentage of our core market. Our new verticals and geographies increase the potential of our addressable market further still and we will continue to invest accordingly to take full advantage of our growing market opportunity.

KEY PERFORMANCE INDICATORS

The key KPI's of the Company in the year ended 31 December 2018 were:-

Revenue	£20.3m (+50%)
Operating profit	£8.7m (+34%)
Number of clients*	457 (+47%)

*The number of clients exclude training accounts which are defined as client accounts that have been onboarded by new employees which have generated less than £10,000 in total revenue.

PRINCIPAL RISKS AND UNCERTAINTIES

The key strategic risks and uncertainties that the Directors consider could impact the business are set out below.

IT and Cyber Security Risk

The Company faces the risk of its operating systems failing, as well as the failure to safeguard the business-critical data and systems against cyber security risks. As a result, the Company may become unable to carry out its business activities resulting in a financial and reputational loss, as well as the potential for regulatory sanctions. This risk is mitigated by maintaining robust network perimeter defences, continual data backup, and the use of a secure end-to-end CRM system and online platform. Additionally, a robust IT security policy is supported by penetration testing as well as regular training for all members of staff.

Alpha FX Limited

Liquidity Risk

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

Alpha operates a matched-principal brokerage model, meaning it simultaneously executes a matching trade with its banking counterparties on receipt of client orders. The Company has facilities with several banking counterparties. These facilities enable the Company to book foreign exchange contracts on behalf of its clients. The banking counterparties mark-to-market ("MTM") all of the Company's foreign exchange contracts at the end of each business day. To calculate the level of margin required, the Company's banking counterparties MTM the Company's net currency positions (meaning foreign exchange positions favourably affected by market movements are offset against those adversely affected). As a result, the Company is able to benefit from exchange rate movements when it has positions on both sides of the market (e.g. a depreciation in the Euro will negatively impact the Company's long Euro positions, but at the same time benefit its Euro short positions). This results in a net claim payable to (or claim on) the banking counterparties. If a net claim is payable, the Company is required to deposit margin with its banking counterparties on the following business day.

The Company funds margin due to its banking counterparties through receipt of margin from its clients ("margin calls") in addition to funding from its own resources. Management review forecasts and actual cash flows on a regular basis to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Company further benefits from the fact it has to fund its net FX exposure with its banking counterparties (i.e. if two clients make equal and opposing trades simultaneously its exposure is nil), yet can require margin from its clients on a gross basis.

Credit Risk

Alpha is exposed to credit risk if a client fails to deliver currency at maturity of the contract or fails to deposit margin when a margin call is made. Alpha's credit risk is equal to the fair value of the contract at the time of cancellation. Alpha has a credit policy in place to mitigate any potential losses arising from a client failing to settle. More specifically, Alpha assesses the creditworthiness of clients and establishes credit limits (typically 3% to 5%) when extending hedging facilities which are reviewed by senior management according to thresholds set out in a delegated authority matrix. In addition, Alpha reserves the right to request an additional deposit when those limits are reached.

Regulatory Risk

The Company faces the risk of failing to adhere to its regulatory and legal requirements. The Company maintains robust policies and procedures, systems and controls, and monitoring and assurance programmes to ensure continued compliance with its regulatory obligations. Alongside this, the Company engages the services of independent compliance consultancies to review its compliance with regulatory requirements. The impact of Brexit is being monitored and the Company is confident that the impact of a hard Brexit is unlikely to be significant.

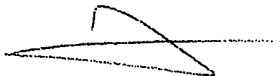
Operational Risk

The Company is subject to the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. This can include so-called 'Fat Finger' errors: the incorrect inputting or execution of a trade (either into the Company's reporting software or to one of the Company's banking counterparties), as well as internal fraud e.g. intentional misreporting of positions, employee thefts, and insider trading on an employee's own account. The Company minimises 'Fat Finger' errors through daily reconciliations of all account balances, meaning any trade error or instances of inaccuracy should be identified very quickly after the event. Where an error has been identified, it is the Company's policy to immediately cancel the trade through booking an equal and opposite trade (in order to reverse the original contract).

Alpha FX Limited

The Company also maintains a strict division between Front and Back Office functions to ensure Back Office remain independent and attentive to any errors that may have been caused by Front Office. Internal fraud is minimised through investment in compliance resource and functions, DBS screening all Back Office individuals, maintaining strict delegated authority limits, segregation of duties and regular monitoring and oversight across different management functions. The Company also maintains a whistleblowing policy, which is communicated to all members of staff.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'M J Tillbrook', written over a horizontal line.

M J Tillbrook - Director
24 April 2019

Alpha FX Limited

Report of the Directors

for the year ended 31 December 2018

DIRECTORS

The Directors shown below have held office during the year and up to the date of approval of the financial statements:

J C Currie (resigned 8 November 2018)
T C Kidd
H Lisney
B J Rayment (appointed 8 November 2018)
M Singh (resigned 3 April 2018)
M J Tillbrook

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £7,148,583 (2017 - £5,155,711).

Following a strong 2018 and an increasing client base, the Board considers that the Company continues to remain well positioned to capture opportunities in the corporate FX market place. An interim dividend of £170.07 per share was paid on the ordinary £1 shares during the year (2017 – first interim dividend of £115.94 per share and second interim dividend of £57.97 per share).

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties can be found in the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors 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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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EMPLOYEES

Employees are informed of the performance of the Company and of any factors affecting their employment. Financial statements are made available to all staff and they are encouraged to assist the Company's onward development.

EMPLOYMENT OF DISABLED PERSONS

The Company is committed to a policy of recruitment and promotion of staff on the basis of aptitude and ability without discrimination of any kind. The Company's procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons.

POLITICAL DONATIONS

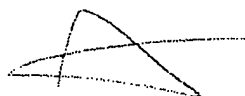
The Company has not made any political donations in the past and does not intend to make any in the future.

SUBSEQUENT EVENTS

Details of the subsequent events are shown in note 25 to the financial statements.

AUDITORS

The auditors, BDO LLP, were appointed in the year and will be proposed for re-appointment at the forthcoming Annual General Meeting.



ON BEHALF OF THE BOARD:

M J Tillbrook - Director

24 April 2019

Alpha FX Limited

Independent Auditor's Report to members of Alpha FX Limited

Opinion

We have audited the financial statements of Alpha FX Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

Alpha FX Limited

Information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

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<https://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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
24 April 2019

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

Alpha FX Limited

Statement of comprehensive income For the year ended 31 December 2018

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	£	£
Revenue		20,365,799	13,543,132
Other operating income	5	204,000	-
Operating expenses	5	(11,838,557)	(7,039,893)
Operating profit		8,731,242	6,503,239
Finance income	6	39,054	25,110
Finance costs	6	-	(32,626)
Profit before taxation		8,770,296	6,495,723
Taxation	8	(1,621,713)	(1,340,012)
Profit and total comprehensive income for the year		7,148,583	5,155,711

The results stated above are derived from continuing activities.

The notes on pages 14 to 36 form part of these financial statements.

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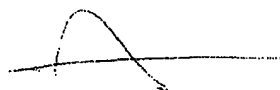
Statement of financial position As at 31 December 2018

Company Number: 05108142


		As at 31 December 2018 £	As at 31 December 2017 £
	<i>Note</i>		
Non-current assets			
Intangible assets	10	432,239	124,720
Property, plant and equipment	11	148,814	197,025
Investments	12	645	-
Total non-current assets		581,698	321,745
Current assets			
Trade and other receivables	16	34,163,571	16,822,795
Cash and cash equivalents	17	38,381,353	13,058,184
Other cash balances	17	2,562,538	1,571,475
Total current assets		75,107,462	31,452,454
Total assets		75,689,160	31,774,199
Equity			
Share capital	18	20,006	19,323
Share premium account	18	699,893	-
Capital contribution reserve	18	670,998	405,435
Retained earnings	18	11,607,983	7,459,400
Total equity		12,998,880	7,884,158
Current liabilities			
Trade and other payables	19	61,666,486	22,870,685
Provisions	20	43,350	110,000
Current tax liability		726,558	768,902
Total current liabilities		62,436,394	23,749,587
Non-current liabilities			
Deferred tax liability	8	98,173	60,454
Provisions	20	155,713	80,000
Total non-current liabilities		253,886	140,454
Total equity and liabilities		75,689,160	31,774,199

The financial statements of Alpha FX Limited were approved by the Board of Directors on 24 April 2019 and signed on its behalf by:

M J Tillbrook
Director



T C Kidd
Director



The notes on pages 14 to 36 form part of these financial statements.

Alpha FX Limited

Statement of changes in equity For the year ended 31 December 2018

	Share capital £	Share Premium account £	Capital contribution reserve £	Retained earnings £	Total £
Balance at 1 January 2017	17,250	-	5,750	5,303,689	5,326,689
Profit and total comprehensive income for the financial year	-	-	-	5,155,711	5,155,711
<i>Transactions with owners</i>					
Issue of B ordinary shares	2,125	-	-	-	2,125
Cancellation of B ordinary shares	(52)	-	-	-	(52)
Dividends paid	-	-	-	(3,000,000)	(3,000,000)
Share-based payments	-	-	399,685	-	399,685
Balance at 31 December 2017	19,323	-	405,435	7,459,400	7,884,158
Profit and total comprehensive income for the financial year	-	-	-	7,148,583	7,148,583
<i>Transactions with owners</i>					
Issue of C ordinary shares	863	699,893	-	-	700,756
Cancellation of B ordinary shares	(180)	-	-	-	(180)
Dividends paid	-	-	-	(3,000,000)	(3,000,000)
Share-based payments	-	-	265,563	-	265,563
Balance at 31 December 2018	20,006	699,893	670,998	11,607,983	12,998,880

The notes on pages 14 to 36 form part of these financial statements.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

1. General information

Alpha FX Limited (the 'Company') is a private company limited by shares incorporated and domiciled in England and Wales. The registered office of the Company is 2 Eastbourne Terrace, Paddington, London W2 6LG. The registered company number is 05108142.

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

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

The Company has exercised its entitlement not to produce consolidated financial statements since consolidated financial statements have been prepared by its parent company, Alpha FX Group plc.

2. Accounting policies

Basis of preparation

The financial statements for the year ended 31 December 2018 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

The financial statements have been prepared using the measurement bases specified by International Financial Reporting Standard as adopted by the European Union ("IFRS") for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Alpha FX Limited are set out below. The financial statements are presented in pounds sterling ("£") except when otherwise indicated. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been applied consistently throughout all years presented.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at the end of this section.

Disclosure exemptions adopted:

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

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction, is wholly owned by such a member.

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

Notes to the financial statements

Alpha FX Limited

For the year ended 31 December 2018

2. Accounting policies (continued)

Segment reporting

In accordance with IAS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker and for which discrete information is available. Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments is identified as the Group's Chief Executive Officer, Chief Operating Officer and Chief Finance Officer.

Going concern

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

Revenue

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

Revenue represents the difference between the premiums offered to clients and the premium the Company receives from its banking counterparties. When the Company enters into a contract with a client, it simultaneously enters into a separate matched contract with its banking counterparty.

The Company has an agent relationship with Alpha FX Institutional Limited, therefore revenue in the Company has been recognised net of any revenue earned from Alpha FX Institutional in the statement of financial position or statement of comprehensive income.

IFRS15 'Revenue from Contracts with Customers' was adopted by the company on 1 January 2018. The company's revenue is derived from financial instruments and there has been no impact on the statement of financial position or the statement of comprehensive income.

Foreign currency translation

The Company's historical financial statements are presented in sterling.

Transactions and balances

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

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Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

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

Financial instruments

The company adopted IFRS 9 on 1 January 2018 and elected not to restate the comparative figures as permitted under the standard. Any changes have been processed at the date of the initial application and are recognised in the opening equity balances. The below policies are applicable to the financial instruments recognised for the year ended 31 December 2018.

Financial assets

Classification

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

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 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. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

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, less provision for impairment.

Impairment provisions for loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Company has considered whether amounts due from loans to related parties are impaired and conclude that there is an immaterial impact on the financial statements.

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

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

There are no changes to the accounting policies in respects of financial liabilities as a result of the adoption of IFRS 9. These policies are set out in the note below. The financial instrument accounting policies below are applicable to the prior year comparative figures.

Financial instruments are classified according to the substance of the contractual arrangements into which the Company enters. An equity instrument is a contract that evidences a residual interest in the assets to the entity after deduction all of its financial liabilities.

Impairment of financial assets

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

Financial liabilities

Classification

The Company 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 Company's financial liabilities include derivative financial liabilities, overdrafts, trade and other payables, and loans received from shareholders.

De-recognition of liabilities

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

Offsetting financial instruments

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

Derivative financial instruments

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

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

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.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

Cash and cash equivalents

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

Other payables

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

Fair value

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

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

Taxes

Current income tax

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

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

Deferred income tax

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

Deferred tax assets and liabilities are offset when the Company 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.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

Employee benefits

Pension obligations

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

Share-based payments

The Company issues equity-settled share-based payments to directors and employees of the Company through the Growth Share 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 fair value of the shares or share options is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the income statement.

Property, plant and equipment

Owned assets

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

Depreciation

Depreciation is charged to the 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.

Intangible assets

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

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

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

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

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

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

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Share capital

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

Operating leases

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

Provisions

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

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

3. Significant accounting estimates and judgments

The preparation of the 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 Company's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

3. Significant accounting estimates and judgments (continued)

Estimates

Impairment of financial assets

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

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 statement of comprehensive Income.

Judgements

Development costs

Development costs that are directly attributable to the development of a project are capitalised based on management's assessment of the likelihood of a successful outcome for each project. This is based on the management's judgement that the project is technologically, commercially and economically feasible in accordance with IAS 38 Intangible Assets. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Details of capitalised development costs are shown in note 10.

Onerous lease

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

Credit value adjustment

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

Share-based payments

As described in note 2 (share-based payments), equity settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of the equity settled growth shares scheme is 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.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

4. Segmental reporting

During the year the company generated revenue from the sale of forward currency contracts, foreign exchange spot transactions and option contracts.

	31 December 2018 £	31 December 2017 £
Foreign exchange spot transactions	2,178,299	1,251,568
Foreign currency forward contracts	17,075,000	12,112,099
Option contracts	1,112,500	179,465
Total Revenue	20,365,799	13,543,132
Profit before taxation	8,770,296	6,495,723

During the year end, the company earned revenue of £15,307,747 (2017: £12,790,244) from entities in the UK, £2,061,667 (2017: £nil) from entities in Norway, £752,386 (2017: nil) from entities in the Netherlands, £592,184 (2017: £621,824) from entities in the British Virgin Islands and £1,651,815 (2017: £131,064) from entities in other countries

All non-current assets of the Company are domiciled in the United Kingdom. All revenue is from external customers.

5. Operating profit

Operating profit is stated after charging/ (crediting):

	31 December 2018 £	31 December 2017 £
Other operating income – dividends received from subsidiary undertakings	(204,000)	-
Operating lease rentals	640,059	284,007
Depreciation of owned property, plant and equipment	61,074	74,590
Amortisation of internally generated intangible assets	106,903	26,316
Loss on disposal of fixed assets	63,259	25,507
Staff costs (see note 7)	7,871,772	4,987,451
Net foreign exchange gains	(19,402)	(56,003)
Provisions (note 20)	203,684	190,000
Audit fees	45,000	38,000
Auditor's remuneration - non- audit work	7,200	11,450

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

6. Finance income and expenses

	31 December 2018 £	31 December 2017 £
Finance income		
Interest on bank deposits	37,201	25,110
Other interest receivable	1,853	-
	39,054	25,110
Finance costs		
Interest payable on loans and borrowings	-	32,626
Other interest payable	-	-
	-	32,626

7. Employee Costs

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

	31 December 2018 £	31 December 2017 £
Wages and salaries	6,731,282	4,066,677
Social security costs	836,287	502,319
Share-based payment charge	265,563	399,685
Other pension costs	38,640	18,770
Employee benefit expense included in operating profit	7,871,772	4,987,451

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

	31 December 2018 No.	31 December 2017 No.
Directors	4	5
Sales, administration and support staff	55	38
	59	43

Directors' remuneration

	31 December 2018 £	31 December 2017 £
Aggregate Directors' emoluments	935,917	787,956
Aggregate Directors' pension scheme contributions	2,541	1,104

During 2018 retirement benefits were accruing to 4 Directors (2017: 3 Directors) in respect of defined contribution pension schemes.

The highest paid director received remuneration in 2018 of £312,500 (2017: £250,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £703 in 2018 (2017: £359).

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

8. Taxation

(a) Tax charge

	31 December 2018 £	31 December 2017 £
Current tax:		
UK corporation tax charge on the profit for the year	1,658,185	1,318,904
Adjustments relating to prior years	(74,191)	(7,858)
Total current tax	1,583,994	1,311,046
Deferred tax		
Origination and reversal of temporary differences	37,719	20,317
Adjustments relating to prior years	-	8,649
Total deferred tax	37,719	28,966
Total tax expense	1,621,713	1,340,012

(b) Factors affecting tax charge for the year

	31 December 2018 £	31 December 2017 £
Profit on ordinary activities before tax	8,770,296	6,495,723
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19% (2017: 19.25%)	1,666,356	1,250,427
Effects of:		
Expenses not deductible for tax purposes	35,912	89,059
Deferred tax not recognised	-	793
Adjustments relating to prior years	(74,191)	(267)
Adjust closing deferred tax in respect of change in future rate of taxation	(6,364)	-
Total tax charge for the year	1,621,713	1,340,012

(c) Deferred tax

The deferred taxation liability at a tax rate of 17% (2017: 19%) comprises the following:

	31 December 2018 £	31 December 2017 £
Liabilities		
At 1 January	(60,454)	(31,488)
Tax credit relating to current year	(37,719)	(20,317)
Tax (charge) relating to prior year	-	(8,649)
Total deferred tax liability	(98,173)	(60,454)

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

8. Taxation (continued)

The enactment of the Finance (No.2) Act 2015 and Finance Act 2016 reduced the main rate of corporation tax to 19% from April 2017 and further reduces the main rate to 17% from April 2020.

The provision for deferred taxation for both 2018 and 2017 relates to the tax effect of timing differences in respect of fixed assets.

9. Dividends

	31 December 2018 £	31 December 2017 £
Ordinary shares of £1 each		
- First Interim dividend of £170.07 per share (2017: £115.94 per share)	3,000,000	2,000,000
- Second Interim dividend (2017: £57.97 per share)	-	1,000,000
	3,000,000	3,000,000

A reconciliation of the movements in share capital for each year is included in note 18.

10. Intangible assets

	Internally generated software £
Cost	
At 1 January 2017	47,500
Additions	105,515
At 31 December 2017	153,015
Additions	414,422
At 31 December 2018	567,437
Amortisation	
At 1 January 2017	1,979
Charge for the year	26,316
At 31 December 2017	28,295
Charge for year	106,903
At 31 December 2018	135,198
Net book value	
At 31 December 2017	124,720
At 31 December 2018	432,239

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

11. Property, plant and equipment

	Leasehold improvements £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2017	5,867	261,307	48,157	315,331
Additions	2,148	68,866	56,817	127,831
Disposals	(8,015)	(44,117)	-	(52,132)
At 31 December 2017	-	286,056	104,974	391,030
Additions	-	28,709	47,412	76,121
Disposals	-	(181,201)	-	(181,201)
At 31 December 2018	-	133,564	152,386	285,950
Depreciation				
At 1 January 2017	2,302	110,292	33,446	146,040
Charge for the year	1,474	55,057	18,059	74,590
Disposals	(3,776)	(22,849)	-	(26,625)
At 31 December 2017	-	142,500	51,505	194,005
Charge for the year	-	28,031	33,043	61,074
Disposals	-	(117,943)	-	(117,943)
At 31 December 2018	-	52,588	84,548	137,136
Net book value				
At 31 December 2017	-	143,556	53,469	197,025
At 31 December 2018	-	80,976	67,838	148,814

No assets were held under finance leases during the years ended 31 December 2018 or 31 December 2017.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

12. Investments

On 23 July 2018 the Company subscribed for 600 A ordinary shares of £1 each in Alpha FX Institutional Limited.

On 21 September 2018 the Company subscribed for 750 Class A ordinary shares of CAD\$ 0.10 each at a total cost of CAD \$75 (£45).

The company's operating subsidiaries as at 31 December 2018 are as follows:

Name	Country of incorporation	Proportion of ordinary shares held
Direct Holding		
Alpha FX Institutional Limited	England ¹	63.2%
Alpha Foreign Exchange (Canada) Limited	Canada ²	75%

The principal activity of both subsidiary undertakings is the provision of foreign exchange services and the accounting year end of both subsidiaries is 31 December.

Registered addresses:

- 2 Eastbourne Terrace, Paddington, London, W2 6LG
- 2200 HSBC Building, 885 West Georgia Street, Vancouver BC, V6C 3E8

13. Derivative financial assets and financial liabilities

	31 December 2018		31 December 2017	
Derivative financial assets not designated as hedging instruments	Fair value £	Notional principal £	Fair value £	Notional principal £
Foreign currency forward and option contracts with customers	28,649,374	773,013,132	16,522,153	476,489,449
Foreign currency forward and option contracts with banking counterparties	4,075,204	273,831,873	23,814	7,928,174
Other foreign exchange forward contracts	-	-	4,529	1,900,442
	32,724,578	1,046,845,005	16,550,496	486,318,065

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

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

13. Derivative financial assets and financial liabilities (continued)

Derivative financial liabilities not designated as hedging instruments	31 December 2018		31 December 2017	
	Fair value £	Notional principal £	Fair value £	Notional principal £
Foreign currency forward and option contracts with customers	12,709,620	719,218,696	3,763,136	181,899,686
Foreign currency forward and option contracts with banking counterparties	-	-	401,800	97,688,207
Other foreign exchange forward contracts	6,471	3,920,055	-	-
	12,716,091	723,138,751	4,164,936	279,587,893

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

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

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

14. Financial instruments

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

(a) Financial assets per balance sheet	31 December 2018 £	31 December 2017 £
Derivatives not designated as hedging instruments		
Foreign currency forward and option contracts with customers	28,649,374	16,522,153
Foreign currency forward and option contracts with banking counterparties	4,075,204	23,814
Other foreign exchange forward contracts	-	4,529
Total derivatives not designated as hedging instruments	32,724,578	16,550,496
Loans and receivables		
Other receivables excluding prepayments	1,163,789	168,184
Cash and cash equivalents	38,381,353	13,058,184
Other cash balances	2,562,538	1,571,475
Total loans and receivables	42,107,680	14,797,843
Total financial assets	74,832,258	31,348,339

Notes to the financial statements

Alpha FX Limited

For the year ended 31 December 2018

14. Financial instruments (continued)

(b) Financial liabilities per balance sheet	31 December 2018	31 December 2017
	£	£
Derivatives not designated as hedging instruments		
Foreign currency forward and option contracts with customers	12,709,620	3,763,136
Foreign currency forward and option contracts with banking counterparties	-	401,800
Other foreign exchange forward contracts	6,471	-
Total derivatives not designated as hedging instruments	12,716,091	4,164,936
Other payables measured at amortised cost		
Intercompany balances	35,747,376	14,095,547
Other payables and accruals	12,418,420	4,380,332
Total other payables	48,165,796	18,475,879
Total financial liabilities	60,881,887	22,640,815

(c) Offsetting financial assets and financial liabilities

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

Amounts subject to enforceable netting arrangements					
2018	Gross fair value	Variation margin offset	Fair value Offset	Net derivative financial asset/(liability) (Note 13)	Other cash balances
Derivative financial assets	47,831,481	-	(15,106,903)	32,724,578	2,562,538
Derivative financial liabilities	(31,361,581)	3,538,587	15,106,903	(12,716,091)	-

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

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

15. Fair value

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

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

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

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

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

16. Trade and other receivables

	31 December 2018 £	31 December 2017 £
Trade receivables (derivative financial assets – note 13)	32,724,578	16,550,496
Other receivables	864,243	168,184
Amounts owed by subsidiary undertakings	299,527	-
Prepayments	275,224	104,115
	34,163,571	16,822,795

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

At 31 December 2018 and 31 December 2017, the receivables are shown net of the Credit Value Adjustment.

17. 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 Company 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 2018 £	31 December 2017 £
Cash and cash equivalents	38,381,353	13,058,184
Variation margin called by counterparties (note 14c)	3,538,587	3,516,811
Other cash balances	2,562,538	1,571,475
Total cash	44,482,478	18,146,470

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

17. Cash (continued)

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

	31 December 2018	31 December 2017
	£	£
British Pound	32,327,754	15,182,461
Euro	2,935,909	2,346,492
US Dollar	1,760,861	514,290
South African Rand	1,264,967	102
Norwegian Krone	5,555,546	423
Other currencies	637,441	102,702
	44,482,478	18,146,470

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 are due to cash flow movements and are shown in the Cash Flow Statement within cash flow from financing activities.

18. Capital and reserves

Share capital

	As at 31 December 2018		As at 31 December 2017	
	Number	£	Number	£
Authorised and allotted				
Ordinary shares of £1 each	17,640	17,640	17,250	17,250
B Ordinary shares of £1 each	1,503	1,503	2,073	2,073
C Ordinary shares of £1 each	863	863	-	-
	20,006	20,006	19,323	19,323

On 25 January 2017, the Company issued 2,125 'B' ordinary shares. The B shares have no entitlement to vote and do not have the right to receive dividends. Subject to certain conditions explained in note 22, the B shares can be converted into shares in Alpha FX Group plc. On 16 March 2017, the Company cancelled 52 'B' ordinary shares.

On 27 March 2018, following the vesting of the shares under the B Growth Share Scheme, 390 'B' shares were converted into '390' ordinary shares.

On 2 October 2018, the Company issued 863 'C' ordinary shares. The C shares were issued nil paid and have no entitlement to vote and do not have the right to receive dividends. Subject to certain conditions explained in note 22, the C shares can be converted into shares in Alpha FX Group plc.

During the year ended 31 December 2018 the Company cancelled 180 'B' ordinary shares.

Both the Ordinary shares and the C Ordinary shares are fully paid.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

18. Capital and reserves (continued)

Share premium account

On 2 October 2018, the Company issued 863 'C' ordinary shares at a subscription price of £700,756. The share premium amount of £699,893 represents the difference between the subscription price and the nominal value of the shares.

Capital contribution reserve

The capital contribution reserve increased in 2018 by £265,563 as a result of the share-based payment charge (2017: £399,685).

Retained earnings

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

19. Trade and other payables

	31 December 2018 £	31 December 2017 £
Trade payables (Derivative financial liability – note 13)	12,716,091	4,164,936
Other payables	11,908,960	4,036,087
Other taxation and social security	784,599	229,870
Amounts due from Group undertakings	35,747,376	14,095,547
Accruals and deferred income	509,460	344,245
	61,666,486	22,870,685

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

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

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

20. Provisions

	31 December 2018 £	31 December 2017 £
At 1 January	190,000	-
Increase in provision	203,684	190,000
Utilised in year	(194,621)	-
At 31 December	199,063	190,000
Analysis:		
Current	43,350	110,000
Non-current	155,713	80,000
	199,063	190,000

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

21. Related party transactions

The parent company is Alpha FX Group plc. Details of the ultimate controlling party can be found in note 24.

Alpha FX Limited traded foreign currency contracts with C I Kahn on normal commercial terms, amounting to £22,899 (2017: £24,431), none of which were open at the year end.

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

A loan of £500,000 from M P Tillbrook was repaid in the year ended 31 December 2017. Interest was charged annually at 5% and interest payments of £nil (2017: £8,151) were made on this loan during the year.

In the year ended 31 December 2017, M J Tillbrook made a loan to Alpha FX Limited of £400,000 (2018: £nil). The balance was repaid in full together with interest at 5% of £14,575 before 31 December 2017.

Alpha FX Limited

Notes to the financial statements

For the year ended 31 December 2018

22. Share-based payments

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

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

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

In March 2018, 390 B Growth Shares were exercised in respect of the year ended 31 December 2017 and 565,387 shares in Alpha FX Group plc were issued as consideration.

The share-based payment charge of the B Growth Shares awarded during the year ended 31 December 2018 was £115,385 (2017: £399,685).

C Growth Share Scheme

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

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For the year ended 31 December 2018

22. Share based payments (continued)

Upon conversion the number of ordinary shares in Alpha FX Group plc, a C Shareholder will receive such number of ordinary shares whose value is equivalent to the closing share price at the conversion date. Conversion is only permitted to the extent that the C Shares have vested. The C Shares will vest in five tranches, occurring annually, starting on 31 December 2018 until 31 December 2022. The first tranche to vest will be equal to ten per cent of the participant's C Share entitlement and thereafter will be equal to 22.5 per cent of the participant's C Share entitlement over the following four years. A participant may choose to roll each tranche of C Shares into the next year provided that no rollover is permitted after the final vesting date (March 2023). If a participating employee either leaves employment with the Company or commits a performance breach (broadly conduct detrimental to the business and reputation of the Company, the Company is entitled to buy back the relevant C Shares at cost.

Based on share price of Alpha FX Group plc of 565p at 31 December 2018, if all C Shareholders exercise the put options in respect of the year ended 31 December 2018, it is estimated that Alpha FX Group plc would issue 19,075 shares.

The share-based payment charge of the C Growth Shares awarded during the year ended 31 December 2018 was £150,178 (2017: £nil).

Details of the share awards outstanding in respect of the above schemes are as follows:

	31 December 2018		31 December 2017	
	B Growth Share Scheme	C Growth Share Scheme	B Growth Share Scheme	C Growth Share Scheme
	£	£	£	£
Outstanding at beginning of year	2,073	-	-	-
Granted in the year	-	863	2,073	-
Exercised in the year	(390)	-	-	-
Forfeited in the year	(180)	-	-	-
Outstanding at end of year	1,503	863	2,073	-

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 Alpha FX Group plc 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 based on the best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

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

	31 December 2018	31 December 2017
	C Growth Share Scheme	B Growth Share Scheme
Expected volatility %	25.0%	25.0%
Risk free interest rate %	0.75%	0.09%
Option life (years)	5	3
Starting equity value (£m)	£186.6m	£33.6m

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Notes to the financial statements

For the year ended 31 December 2018

22. Share based payments (continued)

The Company operates a number of growth share schemes where shares are awarded to employees and are converted into shares in the Company at a future date based on pre-determined vesting criteria. The Company obtains external tax valuations for all share schemes from an independent third party prior to issue and also obtains indemnities from all employees for any future tax liabilities that may arise.

Should the taxable value of these shares be assessed as being higher than the purchase price additional payroll taxes would be due. In the first instance, the payroll taxes would be paid by the Company and the tax indemnities would ensure recovery of any additional tax liabilities from the growth shareholders. In the event that that taxable value of the growth shares is assessed as being higher than the purchase price, the Board has assessed that there would not be a material impact on the Company's net assets or the result for the year.

23. Operating lease commitments

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

	31 December 2018 £	31 December 2017 £
Operating lease payment due:		
Within one year	997,601	678,884
In two to five years	3,952,814	245,179
More than five years	8,184,330	-
	13,134,745	924,063

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

24. Ultimate controlling party

The ultimate controlling party is Alpha FX Group plc, a company incorporated and registered in the UK.

The consolidated financial statements of Alpha FX Group plc can be obtained from the website www.alphafx.co.uk/investors/financial-information/reports-and-accounts.

25. Post balance sheet events

There have been no post balance sheet events from the balance sheet date to the date of signing which require separate disclosure.