Company Registration 07992381 (England and Wales)

# Alquity UK Limited

## Annual report and financial statements for the year ended 30 June 2018

**Alquity UK Limited**

**Company information**

| | |
|---|---|
| **Directors** | Paul Robinson<br>Neil Sandy |
| **Company Secretary** | Paul Robinson |
| **Company number** | 07992381 |
| **Registered office** | Third Floor<br>9 Kingsway<br>London<br>WC2B 6XF |
| **Independent auditors** | Saffery Champness LLP<br>71 Queen Victoria Street<br>London<br>EC4V 4BE |

**Alquity UK Limited**

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The directors present their strategic report and financial statements for the year ended 30 June 2018.

**Review of the business**

In 2010, we set out on a journey to build a different type of investment management business. Alquity's operating model is built around a Virtuous Circle, based around 3 interconnected pillars:

- Attractive Returns – generate strong returns from investors with a non-benchmarked approach to stock selection;
- Responsible Investment – we use forward-looking ESG (Environmental, Social and Governance) analysis to enhance our long-term returns, whilst minimising volatility and risk. This approach means we have a greater understanding of the companies we invest in;
- Transforming Lives – we donate 10% of our management fees from our SICAV funds and Separately Managed Account to support micro-finance in the areas we invest in. This provides a hand-up to these communities at no-cost to our investors, and also generates economic stimulus for these same economies over the long term.

Our focus remains centred around this Virtuous Circle and the progress we have made demonstrates that Responsible Capitalism is a viable concept.

**Fund AUM has grown significantly through the Financial Year**

Assets Under Management (AUM) for the Alquity SICAV at 30 June 2018 was $268.2m, representing an increase of $79.5m over the 12-month period. In addition, the separately managed account for a large US Pension Fund was $92.7m as of year end. The business has also added a new diversified revenue stream with the addition of management fees for Sub Advisory services to SGF SPC, a Cayman segregated Portfolio Company. The AUM for these entities was $93.07m as of 30th June 2018. Finally, the company is still sub advisor to the SGI legacy funds with a total AUM of $6.6m, which are slowly reducing in size but still add additional revenue.

Total AUM for the business now stands at $460.6m as of 30th June 2018. This represents an increase in assets of over $160m over the prior year end.

Performance has been positive for the all SICAV funds, except Latin America which recorded a negative performance. Please see below for further details on each sub fund.

**Alquity Africa sub-fund**

Africa offers a good investment opportunity for long-term investors who will be able to avoid the biggest risks and pitfalls. The region is expected to have the largest working-age population in the world by 2034 and will soon have the fastest urbanisation rate in the world with 190mn people set to move from rural areas to cities in the next decade. However, the speed of development and the pace at which those evolutions occur will be very unequal from country to country.

The rebalancing of the Chinese economy, the lack of diversification, the volatility in oil and commodity prices, weak economic confidence induced by political instability and the weakness of institutions of some African countries, combined with sluggish growth impacted negatively the performance of African equity markets in the seven years to June 30, 2018. The 12 months to 29th June 2018 was a mildly positive one for the broad African markets with the MSCI South Africa and MSCI EFM Africa ex South Africa delivering a total return of 3.4% and 1.5% in USD terms, respectively.

Three out of the top four largest countries experienced positive equity market performance in USD terms over the period: 7.6% in South Africa, 0.6% in Nigeria, 32.1% in Egypt and -6.3% in Kenya (all in USD). The macroeconomic challenges investors face in Africa are of a different nature: capital controls, currency devaluation, parallel FX markets and persistently high inflation. Valuations more than reflect these challenges and fail to reflect the long-term potential of the continent. For example, Egypt devalued its currency by the 50% in November of 2016 and are implementing a structural reform agenda supported by an IMF package, which will help rebalance the economy and prepare it for sustainable economic growth. The market is not pricing in the ability of governments to take action and pass structural reforms.

As a consequence, the fund has low exposure to materials and low exposure to financials, while focusing on companies with a higher visibility of earnings growth outlook and strong execution capabilities. It is in South Africa that we find most of those companies. On a country basis the fund favours countries with both reliable and improving institutions and/or responsible governments who have laid down a clear agenda of structural reforms to underpin long-term sustainable growth. Countries like Egypt, Morocco, Botswana, Senegal or Tunisia fall into this category.

During the last twelve months, the Net Asset Value (NAV) for the US$ I Class has increased by 2.02% from US$75.19 as at June 30, 2017 to US$76.71 at June 29, 2018. The Assets under Management (AUM) has suffered over the last 12 months facing a drop of 7.19% from US$35.6m at June 30, 2017 to US$33.04m at June 29, 2018. However, this has been due mostly to the impact of investor net redemptions.

In terms of the fund, as at June 29, 2018, the portfolio contained thirty-two holdings. Over the period, eight new stocks were added and six stocks were sold. Following these changes, at June 29, 2018, the fund had exposure to eight countries and fourteen sectors.

**Alquity Indian Subcontinent sub-fund**

India continues to be one of the strongest transformation stories across all of emerging markets. The BJP government, led by Prime Minister Narendra Modi, is now preparing for elections held in April or May 2019. The BJP-led coalition is the first government to hold a majority in India's lower house of parliament since 1984, which has enabled the Prime Minister to deliver economic reforms at a pace never seen before in India. As well as measures to encourage greater foreign investment, promote financial inclusion and subsidy reforms, the government's trophy piece of legislation has been the Goods and Services Tax (GST). The GST unites India as a single common tax market for the first time, removing a series of inter-state taxes and relieving companies of cascading tax burdens. The efficiency savings of the GST alone are thought to be worth up to an additional two percentage points of GDP growth per year.

The macroeconomic outlook remains favourable, with strong cyclical tailwinds. Although the central bank of India has embarked on a tightening cycle, which may continue in the coming quarters, the economy is strong enough to shake off any adverse impacts stemming from higher interest rates. We maintain a positive outlook for the long-term growth prospects for the Indian economy.

Bangladesh continues to enjoy a period of relative political stability and robust economic growth, with the domestic law and order situation remaining largely subdued. The economy continues to grow at around 7% per year, with investments and household consumption among the most important drivers.

The investment case and economic growth prospects for Pakistan remained lacklustre over the last year, with current account and fiscal deficits causing a depletion of foreign reserves to just three months of import coverage, whilst the currency was devalued about 15% vs. the USD. The market went through a significant correction period though and is yet to bounce, market participants have been waiting for the new government to form a coalition and start the reforms that address that Pakistani economy's structural deficiencies. If the economic management of the country can be rationalised, we envisage a situation where the risk reward becomes compelling enough for us to re-enter the market.

The NAV of the Indian Subcontinent US$ M Class increased 10.06% over the period from US$157.10 at June 30, 2017 to US$172.90 at June 29, 2018. The AUM has also grown 145.55% from US$29.6m to US$72.6m in the twelve months to June 29, 2018.

In terms of the fund, as at June 29, 2018, the portfolio contained twenty-seven holdings. Over the period, five new stocks were added and ten stocks were sold.

**Alquity Latin America sub-fund**

The year ending June 2018 for the Latin America equity asset class has been a difficult period. Markets have been volatile due to the political noise in Brazil and Mexico and the intensifying worries related to Argentina's ability to service its debt. On the bright side, the Chilean, Peruvian and Colombian economies fared rather well, which in turn boosted their respective markets.

Brazilian business confidence and financial market sentiment was negatively impacted by the inability of President Temer to implement any meaningful reforms, since he and his party lost the support of other parties due to a political scandal in May 2017. As a result, the Temer-led government could not tackle the remaining issues, such as the unsustainable social security system or other fiscal leakages. Due to the paralysed government and the uncertainties regarding the outcome of elections in October 2018, Brazilian financial markets became jittery, which was reflected in the currency as well as in the stock index performance.

A review of the region's equity markets represented by their respective country index over the last year shows that Peru, Colombia and Chile performed very well between 31st June 2017 and 29th June 2018, as the indices rose 21.3%, 19.8% and 13.5%, respectively (all in USD terms). In contrast, the Argentine, Mexican and Brazilian markets underperformed.

During this period, although the fund decreased exposure to Brazil, it remained our largest country allocation followed by Chile, Peru, Colombia and Mexico. A mix of structural and cyclical tailwinds underpins our investment analysis providing us conviction regarding our country allocation. Undemanding valuations, high quality companies and the bottoming of the economic and political cycles in Chile make it a stable weight in the portfolio since inception. Exposure to Brazil was increased throughout the year after our research and growing conviction on its reform-driven growth outlook. This was funded by decreasing exposure to Mexico, due to the impact of rising rates, the likely negative medium-term impact of a NAFTA re-negotiation, and increased risk of populist measures by incoming President AMLO.

The NAV of the Latin America US$ M Class decreased 9.28% over the period from US$95.11 at June 30, 2017 to US$86.28 at June 29, 2018. AUM has decreased 10.8% from US$36.9m to US$32.9m in the twelve months to June 29, 2018.

In terms of the fund, as at June 29, 2018, the portfolio contained twenty-five holdings. Over the period, four new stocks were added, and ten stocks were sold. Following these changes, at June 29, 2018, the fund had exposure to five countries and fifteen sectors.

**Alquity Asia sub-fund**

The Chinese and Indian economies have continued to perform strongly during 2018, in spite of the global trade tensions generated by US President Trump. Although the US President raised significant trade barriers against Chinese goods flowing to the US, the Chinese economy has been resilient thus far thanks to the pro-active and supportive policies engineered by the Chinese authorities. In our opinion, the Chinese government and central bank will return to the previously set policy themes of deleveraging, cracking down on the shadow banking and cutting excess capacity in steel and coal mining, once trade-related tensions abated.

Frontier Markets have continued to provide some of the best growth opportunities in Asia. Vietnam's GDP growth rate remains between 6 and 7%, whilst foreign direct investment inflows were sustained at high levels. Bangladesh continues to enjoy a period of relative political stability and robust economic growth, with the domestic law and order situation remaining largely subdued. The economy continues to grow at around 7% per year, with investments and household consumption among the most important drivers.

The NAV of the Asia US$ M Class increased 3.58% over the period from US$110.45 at June 30, 2017 to US$114.40 at June 29, 2018. The AUM has also grown 23.5% from US$63.3m to US$78.2m in the twelve months to June 29, 2018.

In terms of the fund, as at June 29, 2018, the portfolio contained forty-one holdings. Over the period, fourteen new stocks were added, and twenty stocks were sold. Following these changes, at June 29, 2018, the fund had exposure to eleven countries and thirteen sectors, including the addition of Malaysia.

**Alquity Future World sub-fund**

The year ending June 2018 for the Future World fund ended with the largest exposure to the Asian region, followed by African and Latin American regions respectively.

Frontier markets continue to offer some of the world's fastest GDP growth rates, translating in many cases to excellent growth prospects for local companies. Due to their reliance on domestically-driven growth factors, led by urbanisation and demographic trends, many frontier markets continue to enjoy a degree of isolation from the vagaries of global financial markets and volatility of international trade.

Over the twelve-month period to the end of June 2018, the MSCI Emerging Market index rose 5.8%, while the MSCI Frontier Market index edged down 1.9%. The strongest markets expressed in USD were: Vietnam, Chinese "H" shares, Taiwan, India, Colombia, Peru, Chile and Egypt. Brazil, Mexico, Argentina, Indonesia and the Philippines were among the largest under-performers.

The NAV of the Future World US$ M Class rose by 5.04% over the period from US$91.22 at June 30, 2017 to US$95.82 at June 29, 2018. Increased marketing support has helped the fund's AUM growth by 119.7% from US$23.4m to US$51.4m in the twelve months to June 29, 2018.

In terms of the fund, as at June 29, 2018, the portfolio contained forty-seven holdings. Over the period, nineteen new stocks were added, and fifteen stocks were sold after a rebalance of the portfolio to capture the growth potential in Asia and reducing exposure to Africa and Latin America. Following these changes, at June 29, 2018, the fund had exposure to fourteen countries and seventeen sectors.

### Going Concern

The Company has now had two profitable years in a row and has further built on the foundations from the previous year to ensure that we are in a strong enough financial positions to weather any upcoming storms.

The company's future performance in the markets in which it operates will be influenced by macro-economic financial, credit and liquidity conditions which are generally outside of the company's control. The directors recognise that the economic outlook can present challenges in terms of new subscriptions to the funds and growth in the value of assets under management. The directors are continually instituting measures to preserve cash and ensure expenditure is made within the framework of sound financial management.

### Transforming lives remains at the core of our business model

The Investment Manager, Alquity Investment Management Ltd, receives a management fee and annual performance fees from the SICAV and Management Fees from the Segregated Mandate. A proportion of these fees are donated to recognised charity partners through the Transforming Lives programme to support microfinance, education and training initiatives in the geographic regions represented by stocks in the fund.

Since inception, Alquity Investment Management has transformed the lives of 19,771 people directly and a further 40,942 are indirectly impacted.

Further information regarding the financial position of the company, its cash flows and liquidity position are described in the notes to the financial statements on pages 18-33.

### Principal risks and uncertainties

Exposure to credit, liquidity, interest rate and foreign currency risk arises in the normal course of the company's business.

### Credit risk

The company provides sales, marketing and operational services to the Alquity Fund and also funds managed by what was the immediate holding company, a company under common control. In addition there is a fee paid by CalPERs related to the investment management services for our mandate with them. Receivables are mainly from these sources. Hence, the exposure to credit risk is not considered to be significant as the companies (including the former immediate holding company) are all owned ultimately by the same shareholder. No amounts receivable are past due or impaired.

### Liquidity risk

The company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

**Interest rate risk**
The company's cash and cash equivalents are primarily invested at short-term market interest rates. Consequently, changes in interest rates would have insignificant impact on the company's losses and retained losses.

**Foreign currency risk**
As the company's cash at bank, other receivables and payables are denominated predominantly in British Pounds Sterling and US$, changes in foreign currency rates should have limited impact on the company's losses and retained losses.

**Final thoughts**
2017/18 has been an excellent year for the company where we have built on the foundations from the previous year and in addition managed to diversify our management fees with the SGF SPC product so that our exposure to the cyclical nature of Emerging Markets has been reduced.

Assets under Management have continued to grow and performance fees for the year have left the company with a strong balance sheet. We are pleased with the progress made and believe our focus on our core investment process, excellent investor communication and a strategy orientated around building future pipeline has set Alquity up well to capitalise on improved level of new subscriptions.

The Alquity team remain engaged and committed and have delivered significant improvement to our Investment and Operational processes during the year. Whilst we are delighted to have successfully executed our plans to further our profitably during the last financial year, our key priority remains to build this to a level of true sustainability through any cycle, which we feel we are very well placed to achieve.

On behalf of the board

Paul Robinson
**Director**

26 February 2019

The directors present their annual report and financial statements for the year ended 30 June 2018.

**Principal activities**

The principal activities of the Alquity UK Limited group are to provide investment management and broker support services to investment funds.

Alquity UK Limited (AUKL) is the holding company for the Alquity Group, which includes its subsidiaries Alquity Investment Management Limited (AIML) and Alquity (Asia) Limited (AAL), a Hong Kong based subsidiary. AIML is a United Kingdom based subsidiary providing investment management and broker support services to the Alquity Fund. AIML also provides operational and broker support services to the Smoothed Growth Investments (SGI) family of funds for which services are invoiced to Alquity Group Limited (AGL).

**Results and dividends**

The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend the payment of a final dividend.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|---|---|
| Paul Robinson | |
| Sureshbhai Mistry | (Resigned 23 July 2018) |
| Neil Sandy | |

**Auditors**

Saffery Champness LLP have expressed their willingness to continue in office and a resolution proposing that they be re-appointed will be put at the next general meeting.

**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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 of disclosure to auditors**
Each director in office at the date of approval of this annual report confirms that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Paul Robinson
**Director**

26 February 2019

## Opinion

We have audited the financial statements of Alquity UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise of the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs s adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

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

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

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

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

- adequate accounting records have not been kept 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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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.

**Michael Di Leto (Senior Statutory Auditor)**
**for and on behalf of Saffery Champness LLP**

26 February 2019

**Chartered Accountants**
**Statutory Auditors**

71 Queen Victoria Street
London
EC4V 4BE

**Alquity UK Limited**

**Consolidated statement of comprehensive income**
**For the year ended 30 June 2018**

| | Notes | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| Revenue | 3 | 5,271,371 | 2,701,853 |
| Cost of sales | | (1,034,055) | (524,766) |
| **Gross profit** | | 4,237,316 | 2,177,087 |
| Administrative expenses | | (3,233,593) | (2,018,018) |
| **Operating profit** | | 1,003,723 | 159,069 |
| Finance costs | | (96,625) | (87,587) |
| **Profit before tax** | 4 | 907,098 | 71,482 |
| Income tax expense | 7 | - | - |
| **Profit and total comprehensive income for the year** | | 907,098 | 71,482 |

There are no recognised gains or losses other than those included in the consolidated statement of comprehensive income.

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

**Alquity UK Limited**

**Consolidated statement of financial position**
**As at 30 June 2018**

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 9 | 7,111,175 | 7,106,481 |
| Property, plant and equipment | 10 | 607 | 1,208 |
| | | 7,111,782 | 7,107,689 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 1,704,854 | 1,017,849 |
| Cash and cash equivalents | | 1,173,315 | 211,602 |
| | | 2,878,169 | 1,229,451 |
| **Total assets** | | 9,989,951 | 8,337,140 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 1,256,722 | 413,423 |
| **Net current assets** | | 1,621,447 | 816,028 |
| **Non-current liabilities** | | | |
| Trade and other payables | 13 | 250,649 | - |
| Borrowings | 14 | 4,275,013 | 4,621,145 |
| **Total liabilities** | | 5,782,384 | 5,034,568 |
| **Net assets** | | 4,207,567 | 3,302,572 |
| **Equity** | | | |
| Called up share capital | 15 | 188 | 188 |
| Share premium account | | 5,303,045 | 5,303,045 |
| Translation reserve | | - | 2,103 |
| Retained earnings | | (1,095,666) | (2,002,764) |
| **Total equity** | | 4,207,567 | 3,302,572 |

These financial statements were approved by the board of directors and authorised for issue on 26 February 2019 and are signed on its behalf by:

Paul Robinson
**Director**

**Company Registration No. 07992381**

Alquity UK Limited

**Company statement of financial position**
**As at 30 June 2018**

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 8 | 9,985,863 | 9,985,863 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 160 | 160 |
| Cash and cash equivalents | | 4,808 | 2,983 |
| | | 4,968 | 3,143 |
| **Total assets** | | 9,990,831 | 9,989,006 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 895,770 | 239,513 |
| **Net current liabilities** | | (890,802) | (236,370) |
| **Non-current liabilities** | | | |
| Borrowings | 14 | 4,275,013 | 4,621,145 |
| **Total liabilities** | | 5,170,783 | 4,860,658 |
| **Net assets** | | 4,820,048 | 5,128,348 |
| **Equity** | | | |
| Called up share capital | 15 | 188 | 188 |
| Share premium account | | 5,303,045 | 5,303,045 |
| Retained earnings | | (483,185) | (174,885) |
| **Total equity** | | 4,820,048 | 5,128,348 |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £308,300 (2017: £84,030).

These financial statements were approved by the board of directors and authorised for issue on 26 February 2019 and are signed on its behalf by:

Paul Robinson
**Director**

**Company Registration No. 07992381**

Alquity UK Limited

**Consolidated statement of changes in equity**
**As at 30 June 2018**

| Group | Notes | Share capital £ | Share premium and other reserves £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|
| **Balance at 1 July 2016** | | 183 | 5,300,029 | (2,074,246) | 3,225,966 |
| Proceeds from share issue | | 5 | 568 | - | 573 |
| Translation reserve | | - | 4,551 | - | 4,551 |
| Total comprehensive profit for the year | | - | - | 71,482 | 71,482 |
| **Balance at 30 June 2017** | | 188 | 5,305,148 | (2,002,764) | 3,302,572 |
| Translation reserve | | - | (2,103) | - | (2,103) |
| Total comprehensive profit for the year | | - | - | 907,098 | 907,098 |
| **Balance at 30 June 2018** | | 188 | 5,303,045 | (1,095,666) | 4,207,597 |

**Company**

| | Share capital £ | Share premium and other reserves £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| **Balance at 1 July 2016** | 183 | 5,302,477 | (90,855) | 5,211,805 |
| Proceeds from share issue | 5 | 568 | - | 573 |
| Total comprehensive loss for the year | - | - | (84,030) | (84,030) |
| **Balance at 30 June 2017** | 188 | 5,303,045 | (174,885) | 5,128,348 |
| Total comprehensive loss for the year | - | - | (308,300) | (308,300) |
| **Balance at 30 June 2018** | 188 | 5,303,045 | (483,185) | (4,820,048) |

**Alquity UK Limited**

**Consolidated statement of cash flows**
**For the year ended 30 June 2018**

| | Notes | 2018 Group £ | 2018 Company £ | 2017 Group £ | 2017 Company £ |
|---|---|---|---|---|---|
| **Cash generated from operations** | | | | | |
| Profit/(loss) for the year after tax | | 907,098 | (308,300) | 71,482 | (84,030) |
| **Adjustments for:** | | | | | |
| - Depreciation and amortisation | **9,10** | 4,331 | - | 5,782 | - |
| - Loss on disposal of assets | | - | - | 360 | - |
| - Translation difference | | (2,103) | - | 4,551 | - |
| **Movements in working capital:** | | | | | |
| (Increase)/decrease in trade and other receivables | | (687,005) | - | 582,196 | - |
| Increase/(decrease) in trade and other payables | | 1,093,948 | 656,257 | (582,338) | 189,708 |
| **Cash absorbed by operations** | | 1,316,269 | 347,957 | 82,033 | 105,678 |
| **Net cash inflow from operating activities** | | 1,316,269 | 347,957 | 82,033 | 105,678 |
| **Investing activities** | | | | | |
| Purchase of intangible assets | | (7,498) | - | - | - |
| Purchase of property, plant and equipment | | (925) | - | - | - |
| Subscription of new shares in subsidiary company | | - | - | - | (200,000) |
| **Net cash generated in investing activities** | | (8,423) | - | - | (200,000) |
| **Financing activities** | | | | | |
| Proceeds from share issue | | - | - | 572 | 572 |
| Loan repayments | | (346,132) | (346,132) | (106,250) | (106,250) |
| Loan receipts | | - | - | 200,000 | 200,000 |
| **Net cash used from financing activities** | | (346,132) | (346,132) | 94,322 | 94,322 |
| **Net increase in cash and cash equivalents** | | 961,714 | 1,825 | 176,355 | - |
| **Cash and cash equivalents at beginning of year** | | 211,602 | 2,983 | 35,247 | 2,983 |
| **Cash and cash equivalents at end of the year** | | 1,173,316 | 4,808 | 211,602 | 2,983 |

## 1. Accounting policies

### Company information

Alquity UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3 Waterhouse Square, 138 – 142 Holborn, London, EC1N 2SW.

### 1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared under the historical cost convention. The functional currency for the group is considered to be Pounds Sterling. The principal accounting policies adopted are set out below.

The preparation of 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 financial statements are disclosed in note 2.

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2018 or later periods, but the group has decided not to early adopt them. The directors do not anticipate that the adoption of these standards and interpretations would have a material impact on the financial statements in the period of initial application, although there will be revised and additional disclosures. The group plans to apply these standards in the reporting period in which they become effective. The new standards and interpretations include:

- IFRS 9 - Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
- IAS 7 - Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2017)
- IAS 12 – Income Taxes (effective for annual periods beginning on or after 1 January 2017)
- IFRS 15 Revenue from contracts with Customers including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
- Annual improvements 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2019)

**1. Accounting policies (continued)**

**1.1 Going concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.3 Revenue**

Revenue is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

The group receives investment management fees, based on a percentage of the assets under management, in the period in which the service is performed.

**1.4 Intangible assets**

**Goodwill**

Goodwill represents the excess consideration over the fair value of the investment in subsidiaries. Goodwill is annually reviewed for impairment by management.

**Computer software**

Acquired computer software is initially measured at cost and subsequently measured at cost or valuation, net of amortisation and any impairment losses. The software has a useful economic life of 2 years.

**1.5 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Leasehold improvements | 5 years |
| Fixtures and fittings | 2 years |
| Computer equipment | 2 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

**1.6 Impairment of tangible and intangible assets**

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

## 1. Accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

### 1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

### 1.9 Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

## 1. Accounting policies (continued)

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).
Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

***Impairment of financial assets***
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

***Derecognition of financial assets***
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

## 1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

***Other financial liabilities***
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

***Derecognition of financial liabilities***
Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

## 1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

## 1. Accounting policies (continued)

### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income. 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.

### 1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

A termination benefit liability is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

### 1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions.

## 1. Accounting policies (continued)

### 1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

### 1.15 Foreign exchange

Transactions in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the consolidated statement of comprehensive income for the period.

### 1.16 Basis of consolidation

The consolidated financial statements incorporate the financial statements of subsidiary entities. A subsidiary is defined as an entity over which the company has control. Control is achieved when the company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affects its returns.

Consolidation of a subsidiary begins when the company obtains control and ceases when control is lost. The company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the group's accounting policies.

## 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

**Share based payments**

Share options were held by employees as at 30 June 2018 (see note 16 for further information on these). As the company is not listed there is not readily available information with regards to the value of the company's shares and as such inputs have had to be based on other similar companies that are listed as well as a number of estimates based on historic information.

As at 30 June 2018, no option charge has been recognised in the financial statements as this was not considered by the directors to be material.

## 3. Revenue

| Geographical breakdown | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Cayman Islands | 513,133 | 281,902 |
| Luxembourg | 4,200,611 | 2,101,830 |
| United Kingdom | 517 | 44,287 |
| United States of America | 557,110 | 273,834 |
| | 5,271,371 | 2,701,853 |

| Business breakdown | 2018<br>£ | 2017 |
|---|---|---|
| Investment management services | 5,270,854 | 2,657,566 |
| Miscellaneous | 517 | 44,287 |
| | 5,271,371 | 2,701,853 |

## 4. Operating profit

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Operating profit for the year is stated after charging/(crediting): | | |
| Net foreign exchange losses | 56,829 | 18,455 |
| Depreciation of property, plant and equipment | 1,526 | 3,509 |
| Loss on disposal of property, plant and equipment | - | 244 |
| Amortisation of intangible assets | 2,804 | 2,275 |
| Loss on disposal of intangible assets | - | 116 |
| Operating lease rentals | 143,855 | 139,114 |
| Donation on SICAV income | 403,558 | 159,730 |
| Auditors' remuneration | | |
| Fees payable to the group's auditors for the audit of the group's financial statements | 21,000 | 17,000 |
| Fees payable to the group's auditors for taxation services | 9,000 | 3,000 |

## 5. Employees

The average monthly number of employees (including directors) employed by the group during the year was:

| | 2018<br>Number | 2017<br>Number |
|---|---|---|
| Sales and administration | 17 | 17 |

Their aggregate remuneration comprised:

| | 2018 | 2017<br>£ |
|---|---|---|
| Wages and salaries | 2,236,949 | 1,131,283 |
| Social security costs | 214,494 | 132,704 |
| Pension costs | 25,533 | 17,116 |
| | 2,476,976 | 1,281,103 |

## 6. Directors' remuneration

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Remuneration for qualifying services | 316,703 | 280,042 |
| Group pension contributions to defined contribution schemes | 12,000 | 12,000 |
| | 328,703 | 292,042 |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | | |
|---|---|---|
| Remuneration for qualifying services | 230,194 | 111,659 |
| Group pension contributions to defined contribution schemes | 12,000 | 12,000 |

## 7. Income tax expense

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| **Profit before taxation** | 907,098 | 71,482 |
| Expected tax charge based on a corporation tax rate of 19% (2017: 19.75%) | 172,349 | 14,118 |
| Expenses not deductible in determining taxable profit | 99,877 | 616 |
| Overseas income | (142,679) | - |
| Depreciation and amortisation | 822 | 1,142 |
| Current year losses for which deferred tax assets has not been Recognised | - | - |
| Utilisation of tax losses not previously recognised | (130,369) | (15,876) |
| **Tax charge for the year** | - | - |

## 8. Investments

| **Company** | £ |
|---|---|
| Balance at 1 July 2017 | 9,785,863 |
| Additions | - |
| **Balance at 30 June 2017** | 9,985,863 |
| **Balance at 30 June 2018** | 9,985,863 |

| Subsidiary undertaking | Country of registration | % Ordinary shares held | Principal activity |
|---|---|---|---|
| Alquity Investment Management Limited | United Kingdom | 100% | Provision of investment management services |
| Alquity (Asia) Limited | Hong Kong | 100%* | Provision of investment management services |

* Alquity Asia is a 100% owned subsidiary of Alquity Investment Management Limited.

## 9. Intangible assets

| Group | Software £ | Goodwill £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2017 | 4,550 | 7,104,563 | 7,109,113 |
| Additions | 7,498 | - | 7,498 |
| Disposals | (4,550) | - | (4,550) |
| **At 30 June 2018** | 7,498 | 7,104,563 | 7,112,061 |
| **Amortisation and impairment** | | | |
| At 1 July 2017 | 2,632 | - | 2,632 |
| Charge for the year | 2,804 | - | 2,804 |
| Eliminated on disposals | (4,550) | - | (4,550) |
| **At 30 June 2018** | (886) | - | (886) |
| **Carrying amount** | | | |
| At 1 July 2017 | 1,918 | 7,104,563 | 7,106,481 |
| **At 30 June 2018** | 6,612 | 7,104,563 | 7,111,175 |

Goodwill represents the excess consideration over the fair value of the investment in subsidiaries.

In the opinion of the directors, there has been no indication of impairment in the year.

## 10. Property, plant and equipment

| Group | Leasehold Improvements £ | Computer equipment £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 July 2016 | 61,044 | 68,650 | 21,945 | 151,639 |
| Disposals | (61,044) | (53,604) | (20,510) | (135,158) |
| **At 30 June 2017** | - | 15,046 | 1,435 | 16,481 |
| Disposals | - | (9,136) | (1,435) | (10,571) |
| Additions | - | - | 925 | 925 |
| **At 30 June 2018** | - | 5,910 | 925 | 6,835 |
| **Accumulated depreciation** | | | | |
| At 1 July 2016 | 61,044 | 63,691 | 21,945 | 146,680 |
| Charge for year | - | 3,509 | - | 3,509 |
| Eliminated on disposal | (61,044) | (53,362) | (20,510) | (134,916) |
| **At 30 June 2017** | - | 13,838 | 1,435 | 15,273 |
| Charge for year | - | 1,208 | 318 | 1,526 |
| Eliminated on disposal | - | (9,136) | (1,435) | (10,571) |
| **At 30 June 2018** | - | 5,910 | 318 | 6,228 |
| **Carrying amount** | | | | |
| At 1 July 2016 | - | 4,959 | - | 4,959 |
| At 30 June 2017 | - | 1,208 | - | 1,208 |
| At 30 June 2018 | - | - | 607 | 607 |

## 11. Trade and other receivables

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £ | £ | £ | £ |
| Trade receivables | 401,054 | - | 190,599 | - |
| Other receivables | 229,119 | - | 28,029 | - |
| VAT recoverable | 31,283 | - | 32,232 | - |
| Amounts due from connected companies | 689,405 | - | 517,790 | - |
| Prepayments | 353,993 | 160 | 249,199 | 160 |
| | 1,704,854 | 160 | 1,017,849 | 160 |

Included within trade and other receivables is £689,405 (2017: £517,790), which is expected to be recovered in more than 12 months.

## 12. Trade and other payables due within one year

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £ | £ | £ | £ |
| Trade payables | 120,238 | - | 63,182 | - |
| Social security and other taxation | 242,212 | - | 51,220 | - |
| Accruals and other payables | 894,272 | 895,770 | 299,021 | 239,513 |
| | 1,256,722 | 895,770 | 413,423 | 239,513 |

## 13. Trade and other payables due after one year

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £ | £ | £ | £ |
| Accruals and other payables | 250,649 | - | - | - |
| | 250,649 | - | - | - |

## 14. Borrowings

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £ | £ | £ | £ |
| Loans payable after more than one year | 4,275,013 | 4,275,013 | 4,621,145 | 4,621,145 |

i. An unsecured loan note for £3,750,000 was issued on 5th April 2013 to Alquity Group Limited as part of the consideration for the acquisition of Alquity Investment Management Limited. The loan is subordinated and interest free. Repayment is in tranches and will be determined by the Board.

The loan is repayable in full either upon the sale of the entire share capital of the company for full value on an arms-length basis; or a flotation of the company on a recognised stock exchange.

ii. An unsecured loan facility for $1,500,000 was agreed with Paul Robinson on 28th November 2013. The loan facility may be drawn down as required and in a currency of USD, GBP or EUR as per the lenders preference. Repayment is to be made in USD. The facility does not have a fixed term but the borrower will make reasonable efforts to repay the lender in full upon sufficient funds becoming available for repayment by the Borrower. All amounts drawn down under the facility together with interest accrued thereon shall be repaid immediately in full in the event of the sale of the Borrower. Repayment will be made to the extent that the business will continue to hold more than 7 months regulatory capital after the repayment has been made. The loan will attract interest at a rate of 7.5% per annum. Interest will be rolled up with principal. At the year end, there is c$650,000 that is available to be drawn down under the provisions of the Facility Agreement.

iii. A secured loan note of £200,000 was issued on 19th November 2015 to Truestone Impact Investment Management Limited. The loan carries interest at 8% and contains floating charges, which covers all property of undertaking of the company. The loan note was repaid in full during the year.

## 15. Share capital

| Group | 2018 £ | 2017 £ |
|---|---|---|
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 11,875,111 ordinary shares of £0.00001 each | 119 | 119 |
| 3,071,782 preferred ordinary shares of £0.00001 each | 30 | 30 |
| 3,750,000 preference shares of £0.00001 each | 38 | 38 |
| 174,290 B investment shares of £0.00001 each | 1 | 1 |
| | 188 | 188 |

The holders of ordinary shares, preferred ordinary shares and B investment shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets. Preference shares are zero coupon shares.

## 16. Share based payment transactions

As at the year end, the company had options over 2,145,406 shares of which 1,983,060 had vested as at 30 June 2018.

Share options are exercisable during the vesting period, 30 days after the signing of the audited financial statements, and exercise is at the absolute discretion of the directors.

No share option charge has been recognised in the financial statements as it is not considered to be material to the group.

## 17. Capital risk management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders in future years, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the group is part of a larger group, the group's sources of additional capital and policies for distribution of excess capital may also be affected by the larger group's capital management objectives.

The group defines 'capital' as including all components of equity. Accordingly, the capital balance for the group as at 30 June 2018 is £4,207,567 (2017: £3,302,572).

The group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the larger group to which the group belongs.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the group, to the extent that these do not conflict with the directors' fiduciary duties towards the group.

In addition, as AIML is a licensed corporation registered under the Financial Conduct Authority (the FCA) in the UK, AIML is also subject to a minimum capital requirement of €50,000. The group monitors its compliance with the requirement on a daily basis.

The group complied with the requirement at all times during the year.

During the current financial year, the group's strategy, which was unchanged from last year, was to maintain a higher capital level than regulatory requirement of the FCA. The group reviews its capital adequacy and structure regularly to ensure regulatory capital requirements are met, adequate funds are available to support business operation and growth, and excess capital is distributed to its holding company.

## 18. Related party transactions

The group considers transactions with its senior management as related party transactions. Senior management are considered to be directors of Alquity UK Limited who manage the main operating activities of the group. Except for the emoluments disclosed in note 6 and the loan from Paul Robinson disclosed below, there are no transactions, arrangements and agreements made for persons who were directors of Alquity UK Limited during the year.

The company has entered into the following transactions with related parties during the year:

a. The group received fee income of £513,133 (2017: £281,902) from Alquity Group Limited, a company under common control. There is £nil (2017: £14,055) outstanding from Alquity Group at 30 June 2018. The company also has a loan balance due from Alquity Group Limited totalling £689,045 (2017: £517,790) at 30 June 2018. No interest is charged on this loan.

b. Included within non-current liabilities is a loan of £3,226,111 (2017: £3,326,111) from Alquity Group Limited, a company under common control. See note 14 for further details.

c. Included within non-current liabilities is a loan of £1,048,902 (2017: £1,089,447) from Paul Robinson, the ultimate controlling party. Interest, which is charged on this loan at 7.5% per annum, is rolled up into the principal.

d. The group received fee income of £4,198,145 (2017: £2,102,003) from Alquity SICAV, a company under common control. There is £221,582 (2017: £187,607) outstanding from Alquity SICAV at 30 June 2018.

## 19. Controlling party

The immediate and ultimate controlling party is considered to be Paul Robinson.