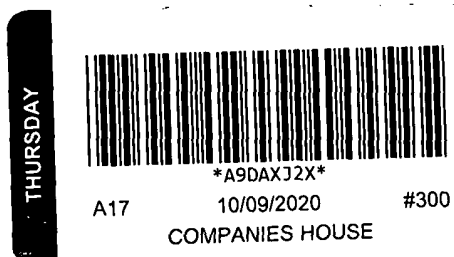


Financial Statements for the year ended 31 December 2019

for

Alpha FX Limited

Company no. 05108142



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For the year ended 31 December 2019

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Company Information

For the year ended 31 December 2019

DIRECTORS:

T C Kidd
H P Lisney
M J Tillbrook

REGISTERED OFFICE:

Brunel Building
2 Canalside Walk,
London,
W2 1DG

REGISTERED NUMBER:

05108142 (England and Wales)

AUDITORS:

BDO LLP
150 Aldersgate Street,
London,
EC1A 4AB

Strategic report

For the year ended 31 December 2019

INTRODUCTION

The Directors present their report with the financial statements of the Company for the year ended 31 December 2019.

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.

Alpha Payment Solutions ("APS") is a division of Alpha FX Limited which services clients who have the requirement to send, hold or receive money from overseas, in the form of international payments, collections and currency accounts.

2019 was another highly successful year for Alpha – one that marked 10 consecutive years of organic revenue and profit growth. Revenue and profit growth were particularly strong given the increased headcount and investment in the new office throughout the year, designed to deliver future growth. This performance was spearheaded by the core UK corporate market and by further increasing penetration into European markets being serviced from our London headquarters.

Continued impressive performance to date demonstrates the appeal of our products and services in existing as well as new verticals and geographies. We are 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.

The global outlook remains uncertain at this relatively early stage of the COVID-19 outbreak, however, as at the date of this report, trading for Alpha continues to be in line with expectations. With the growing diversity of our client base and products, both of which span an increasing number of geographies and sectors, and a strong cash and liquidity position, we are confident in our ability to continue servicing the needs of our clients and growing our business as a result. To further support the Company's confidence, on 9 April 2020, the parent company, Alpha FX Group plc raised £20 million through the placing of ordinary shares. Note 25 highlights an event after the reporting period whereby a client become unable to pay margin owed on forward contracts as a result of adverse currency volatility. £30.2m is owed to the company, which will be settled in weekly increments between 3 April 2020 and 3 June 2022.

KEY PERFORMANCE INDICATORS

The key KPI's of the Company in the year ended 31 December 2019 were:-

| | |
|-------------------------|---------------|
| Revenue | £28.2m (+39%) |
| Operating profit | £13.3m (+52%) |
| Operating profit margin | 47% (+4%) |
| Number of clients* | 568 (+24%) |

*The number of clients excludes 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.

SECTION 172 STATEMENT

A key focus of the Board is to promote the success of the Company for the benefit of its members as a whole, whilst having regard to other matters (as set out below), as outlined in Section 172 of the Companies Act 2006. Throughout this report there are many examples of how the Board has regard to the likely consequences of any decision in the long-term; the interests of our employees; the need to foster relationships with key stakeholders; the impact of our operations on the community and environment; and how the company maintains a reputation for high standards, whilst conducting its business in a fair and responsible manner. The stakeholders we consider in this regard are our customers, the people who work for us, our owners and those who provide the services we rely on to operate our business.

The following statement provides an overview of how the Board has performed its duties. As a dynamic and fast-growing Company, day-to-day decision making, and stakeholder engagement is often delegated to employees through our governance framework and therefore naturally occurs at an operational level. However, the Board regularly receives and discusses information from across the Company to help it understand the impact of the Group's operations as well as the interests and views of key stakeholders. This information is provided to the Board through reports and in-person presentations. As a result of these activities, the Board has an overview of the outcomes of the stakeholder engagement, and other factors, enabling the Directors to comply with their duties under s172 of the Companies Act 2006.

The following are some examples of the stakeholder engagement that has taken place during the financial year:

Our People

In order to ensure Alpha and its employees' interests remain aligned, employee engagement remains a key priority. In 2018, the Board established an Employee Engagement team led by the company's CEO, focused on maintaining strong relationships between the company and its employees as the business scales. Through this initiative, the Board has continued to engage with and review feedback from its employees in a number of ways throughout 2019, including: bi-annual townhalls, departmental surveys and forums, feedback via Glassdoor, 1-2-1 meetings, company-wide social events, and annual awards ceremonies. Furthermore, the company adopts a principle of radical candour, routinely encouraging employees to provide candid feedback to all members of the business, regardless of seniority and tenure.

Clients

We seek to grow our business organically and sustainably by acquiring new clients, retaining existing ones, and increasing our share of their spend. To achieve this, we put our clients' interests first and aim to provide them with a high value service that yields incremental value as the relationship (and our service offering) matures.

As part of engaging with clients, the senior management including the CEO, CFO and COO often meet with key clients to obtain feedback on the service. Informal meetings are also regularly held with senior client representatives to help the Board better understand the needs and motivations of clients. Regular face-to-face meetings take place throughout the year between Front Office employees and clients, and our team also attend and host industry related events, which provide us with the opportunity to engage with new and existing clients on a range of topics.

Investors/Shareholders

Access to capital has been key to our long-term success, and the Board therefore strives to obtain investor buy-in to the Company's strategy, which is focused on achieving long-term sustainable growth both for the business and its shareholders.

As part of shareholders deciding whether to invest in our business, we recognise that strong and ongoing shareholder communication is key, and the Board regularly receives updates from investors from senior management. The Board is committed to ensuring that shareholders are treated fairly regarding the level of disclosure provided, whilst being mindful of the commercially sensitive aspects of the business.

Suppliers

Our suppliers play a key part in enabling us to deliver a leading level of service to our clients by amplifying our capabilities and efficiencies. We seek to choose the best products and services to meet our requirements, and then develop strong, long-term relationships with the suppliers that provide them, in order to create strong and enduring mutual value over time. We regularly look for ways to support our suppliers beyond simply providing our custom, whether through providing testimonials, sharing knowledge, or recommending them to others we work with.

Community & Environment

"Creating an exceptional community full of opportunity" is Alpha's purpose statement and outlines the vision the Board has set for our people. As our business grows, we are now taking steps to look beyond our own community to look for ways we can support others. Meetings have already been held to this respect, with the intention of selecting a meaningful cause that we can support in 2020.

The Board is committed to minimising the impact our operations have on the environment. Recycling of office supplies is undertaken wherever possible and the Company operates a largely paperless marketing model. When designing our HQ in London, the Board also made the conscious decision to prioritise more sustainable materials over cheaper, but more harmful non-renewable alternatives.

Culture

The Board believes culture to be key in achieving long-term growth. Our high standards of business conduct are the direct result of a culture that focuses not only on achieving high-levels of performance but doing so in a way that is sustainable and has high-levels of integrity. The Board supports the CEO in embedding this culture into the business, and as a result the Company now has a clearly defined vision, mission, and purpose along with five key behaviours which govern how we act as a business.

Long-Term Decision Making

Alpha has always been a business with a long-term focus. A focus on continued innovation and improvements to our service offering (for example, Alpha Payment Solutions) ensures we retain our competitive edge, whilst our investments in new markets and geographies have been designed to expand our runway long into the future. We also only innovate in areas where we are confident there is long-term value to be gained and aim to minimise execution risk by ensuring we have researched new markets thoroughly, have the appropriate expertise in place, and that our team and infrastructure will not become overstretched by new ventures. As we grow, we continue to invest in maintaining a scalable and agile operating model, often investing ahead of the curve in anticipation of projected growth. Key examples of this have been, the expansion of our back-office team to add depth and experience to our core functions, the replacement of our legacy systems with a greenfield and modular tech stack, and the move to our new office.

In an industry that is traditionally volume based and transactional, we continue to grow our business by fostering long-term relationships with a smaller number of higher-value clients, who we look to retain year-on-year. Since our people are key to growing our client base, we take a similarly long-term approach to them too. Over 40% of our team have long-term equity interests in Alpha FX Group plc, and commissions for Front Office staff are aligned to the lifetime of our clients, rather than short-term revenue targets. Furthermore, we have invested significantly into creating an environment and culture which supports the long-term ambitions and well-being of our team, notably launching a state-of-the-art HQ in 2019.

Consideration of the long-term consequences of decisions also forms the foundation of our approach to managing risks, and more information on this can be found under the Principal Risks & Uncertainties section of our report.

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.

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).

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:



M J Tillbrook - Director
23 April 2020

Directors' Report

for the year ended 31 December 2019

DIRECTORS

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

T C Kidd

H P Lisney

B J Rayment (resigned 21 June 2019)

M J Tillbrook

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £11,170,892 (2018 - £7,148,583).

Following a strong 2019 and an increasing client base, the Board considers that the Company continues to remain well positioned to capture opportunities in the corporate FX marketplace. An interim dividend of £167.87 per share was paid on the ordinary £1 shares during the year (2018 - £170.07 per share).

PRINCIPAL RISKS AND UNCERTAINTIES

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

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic 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.

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 based on 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are shown in note 25 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD:A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line that curves upwards at the end.

M J Tillbrook - Director
23 April 2020

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 2019 which comprise the statement of comprehensive Income, the statement of financial position and the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in 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 2019 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 Directors' 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 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 Strategic report and Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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

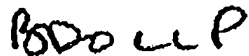
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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 on the Financial Reporting Council's website at:

<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, UK

23 April 2020

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

Statement of comprehensive income

For the year ended 31 December 2019

| | | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|------|-----------------------------------|-----------------------------------|
| | | £ | £ |
| | Note | | |
| Revenue | | 28,237,628 | 20,365,799 |
| Other operating income | 5 | 2,211,750 | 204,000 |
| Operating expenses | 5 | (16,642,759) | (11,838,557) |
| Exceptional property related costs | | (555,230) | - |
| Operating profit | | 13,251,389 | 8,731,242 |
| Finance income | 6 | 62,784 | 39,054 |
| Finance costs | 6 | (182,866) | - |
| Profit before taxation | | 13,131,307 | 8,770,296 |
| Taxation | 8 | (1,960,414) | (1,621,713) |
| Profit and total comprehensive income for the year | | 11,170,893 | 7,148,583 |

The results stated above are derived from continuing activities.

The notes on pages 16 to 46 form part of these financial statements.

Statement of financial position

As at 31 December 2019

Company Number: 05108142

| | Note | As at 31 December 2019 £ | As at 31 December 2018 £ |
|--------------------------------------|------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Intangible assets | 10 | 1,179,120 | 432,239 |
| Property, plant and equipment | 11 | 2,251,814 | 148,814 |
| Investments | 13 | 282,255 | 645 |
| Right-of-use asset | 12 | 7,750,425 | - |
| Total non-current assets | | 11,463,614 | 581,698 |
| Current assets | | | |
| Trade and other receivables | 17 | 45,058,643 | 34,163,571 |
| Cash and cash equivalents | 18 | 73,960,328 | 38,381,353 |
| Other cash balances | 18 | 3,866,514 | 2,562,538 |
| Total current assets | | 122,885,485 | 75,107,462 |
| Total assets | | 134,349,099 | 75,689,160 |
| Equity | | | |
| Share capital | 19 | 20,849 | 20,006 |
| Share premium account | 19 | 855,915 | 699,893 |
| Capital contribution reserve | 19 | 1,030,247 | 670,998 |
| Retained earnings | 19 | 19,278,876 | 11,607,983 |
| Total equity | | 21,185,887 | 12,998,880 |
| Current liabilities | | | |
| Trade and other payables | 20 | 112,081,407 | 61,666,486 |
| Provisions | 21 | 95,603 | 43,350 |
| Current tax liability | | 265,685 | 726,558 |
| Total current liabilities | | 112,442,695 | 62,436,394 |
| Non-current liabilities | | | |
| Deferred tax liability | 8 | 427,749 | 98,173 |
| Lease liability | 12 | 292,768 | - |
| Provisions | 21 | - | 155,713 |
| Total non-current liabilities | | 720,517 | 253,886 |
| Total equity and liabilities | | 134,349,099 | 75,689,160 |

The financial statements of Alpha FX Limited were approved by the Board of Directors on 23 April 2020 and signed on its behalf by:



M J Tillbrook
Director



T C Kidd
Director

The notes on pages 16 to 46 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2019

| | Share capital £ | Share Premium account £ | Capital contribution reserve £ | Retained earnings £ | Total £ |
|--|-----------------------|----------------------------------|---|---------------------------|-------------------|
| Balance at 1 January 2018 | 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 |
| Profit and total comprehensive income for the financial year | - | - | - | 11,170,893 | 11,170,893 |
| <i>Transactions with owners</i> | | | | | |
| Issue of D ordinary shares | 1,000 | 170,620 | - | - | 171,620 |
| Cancellation of C ordinary shares | (157) | (14,598) | - | - | (14,755) |
| Dividends paid | - | - | - | (3,500,000) | (3,500,000) |
| Share-based payments | - | - | 359,249 | - | 359,249 |
| Balance at 31 December 2019 | 20,849 | 855,915 | 1,030,247 | 19,278,876 | 21,185,887 |

The notes on pages 16 to 46 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

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 Brunel Building, 2 Canalside Walk, London, W2 1DG. 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 2019 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 ("£") which is also the Company's functional currency. 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.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

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

a) New standards, interpretations and amendments effective from 1 January 2019

IFRS 16 Leases (IFRS 16)

On 1 January 2019 the Company adopted IFRS 16. Details of the impact this standard are provided in the accounting policy for Leases on page 24.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019 and requires:

- The Company to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Company to consider if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company does not believe that it is impacted by IFRIC 23 and therefore opening retained earnings remain unaffected.

b) New standards, interpretations and amendments not yet effective

There are currently none that impact the Company.

Segment reporting

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

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments is identified as the Company'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. Whilst we are mindful of the potential impact of COVID-19, which we continue to monitor carefully, the robustness of our credit and liquidity risk management frameworks has meant that to date the impact of recent high levels of market volatility on our business has been limited. Furthermore, having adopted cloud technology since inception, the Company has always been very well placed to operate remotely.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

Should it be necessary, we are able to utilise this core capability in order to continue to deliver our services to our clients at this critical time, whilst also safeguarding the health of our employees and their families. 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.

Alpha Payment Solutions provide payment and collection services and receive revenue from both Account Fees and Spot FX Transactions. Account Fees include (but are not limited to) electronic payments in and out of accounts (e.g. Faster Payments, CHAPS, International payments and collections) and implementation fees.

The Company entered into new contracts in the year to provide payment and collection services. The revenue in relation to these contracts is recognised in line with IFRS 15.

The Company receives revenue on Account Fees based on a billing schedule at the end of each month, as established in our contracts. Billing occurs simultaneously with revenue recognition and as such, revenue is recognised using the output method when the performance obligation is satisfied (when the services are rendered and transferred to the customer).

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

Foreign currency translation

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

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

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.

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 statement of comprehensive income is also recognised in other comprehensive income or statement of comprehensive income 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 2019.

Financial assets

Classification

All financial assets are measured initially at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequently, the Company classifies its financial assets into one of the two 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 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 financial assets 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, and where applicable, less provision for impairment.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

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 an assessment to determine the loan has low credit risk. For loans that are low credit risk at the reporting date, IFRS 9 allows a 12-month expected credit loss to be 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 statement of financial position.

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 under the expected credit loss approach, the amount being the difference between the present value of all contractual cashflows and the present value of expected future cashflows. 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. On the basis of applying a 12-month expected credit loss model, the method for calculating the expected credit loss for the Company's impairment provisions for loans to related parties is to consider the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), using the $PD \times LGD \times EAD$ methodology.

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

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

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 statement of financial position.

Derivative financial instruments

Derivative financial assets are carried as assets when their fair value is positive and liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of comprehensive income. The Company's derivative financial assets and liabilities at fair value through profit or loss 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 profit or loss and are shown gross, except where a netting agreement, which is legally enforceable, exists and the intention is for the asset and liability to be settled net.

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

Cash and cash equivalents

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

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:

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

- 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.

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.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

The Approved and Unapproved Options Schemes have been valued using a Black Scholes option pricing model as only a service-based condition exists. Both schemes require the estimation of appropriate attrition rates to estimate the number of share options which are likely to vest.

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

Property, plant and equipment

Owned assets

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

Depreciation

Depreciation is charged to the 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

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

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

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

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.

Leases

On 1 January 2019, the Company adopted IFRS 16 Leases. As at 1 January 2019 the only leases held by the Company were for a lease term of twelve months or less and accordingly the adoption of IFRS 16 has not required any adjustment to the opening statement of the financial position at that date. The Company now recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's estimated incremental borrowing rate.

The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in the statement of comprehensive income on a straight-line basis.

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 reporting 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.

Notes to the financial statements

For the year ended 31 December 2019

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:

Impairment of financial assets

Impairment provisions are recognised under the expected credit loss approach, the amount being the difference between the present value of all contractual cashflows and the present value of expected future cashflows. 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 consolidated statement of comprehensive Income.

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.

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.

Notes to the financial statements

For the year ended 31 December 2019

4. Segmental reporting

During the year, the Company generated revenue from the sale of forward currency contracts, foreign exchange spot transactions, payments & collections and option contracts.

| | 31 December 2019 £ | 31 December 2018 £ |
|------------------------------------|--------------------------|--------------------------|
| Foreign currency forward contracts | 19,618,496 | 17,075,000 |
| Foreign exchange spot transactions | 6,410,701 | 2,178,299 |
| Option contracts | 1,803,117 | 1,112,500 |
| Payments and collections* | 405,314 | - |
| Total Revenue | 28,237,628 | 20,365,799 |
| Profit before taxation | 13,131,307 | 8,770,296 |

* Payments and collections relate to payment charges only and exclude any related foreign exchange spot transactions.

During the year end, the company earned revenue of £17,718,753 (2018: £15,307,747) from entities in the UK, £2,560,810 (2018: £2,061,667) from entities in Norway, £554,521 (2018: £752,386) from entities in the Netherlands, £559,997 (2018: £592,184) from entities in the British Virgin Islands, £2,906,385 (2018: £39,178) from entities in the Isle of Man, £684,176 (2018: £79,696) from entities in Spain, and £3,252,986 (2018: £1,532,941) from entities in other countries. There were no significant transactions between the segments within the year. All revenue is from external customers.

5. Operating profit

Operating profit is stated after charging/ (crediting):

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Other operating income – dividends received from subsidiary undertakings | (2,211,750) | (204,000) |
| Depreciation of right-of-use assets | 485,171 | - |
| Depreciation of owned property, plant and equipment | 193,963 | 61,074 |
| Amortisation of internally generated intangible assets | 246,060 | 106,903 |
| Loss on disposal of fixed assets | 46,645 | 63,259 |
| Staff costs (see note 7) | 10,149,153 | 7,871,772 |
| Net foreign exchange losses/(gains) | 38,091 | (19,402) |
| Provisions (note 21) | 103,501 | 203,684 |
| Audit fees | 50,000 | 45,000 |
| Auditor's remuneration - non- audit work | 3,300 | 7,200 |

Notes to the financial statements

For the year ended 31 December 2019

6. Finance income and expenses

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Finance income | | |
| Interest on bank deposits | 62,630 | 37,201 |
| Other interest receivable | 154 | 1,853 |
| | 62,784 | 39,054 |
| Finance costs | | |
| Interest payable on loans and borrowings | 18,683 | - |
| Right-of-use asset | (201,549) | - |
| | (182,866) | - |

7. Employee Costs

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

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Wages and salaries | 8,629,438 | 6,731,282 |
| Social security costs | 1,063,692 | 836,287 |
| Share-based payment charge | 359,249 | 265,563 |
| Other pension costs | 96,774 | 38,640 |
| Employee benefit expense included in operating profit | 10,149,153 | 7,871,772 |

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

| | 31 December 2019 No. | 31 December 2018 No. |
|---|----------------------------|----------------------------|
| Directors | 3 | 4 |
| Sales, administration and support staff | 81 | 55 |
| | 84 | 59 |

Directors' remuneration

| | 31 December 2019 £ | 31 December 2018 £ |
|---|--------------------------|--------------------------|
| Aggregate Directors' emoluments | 1,065,524 | 935,917 |
| Aggregate Directors' pension scheme contributions | 4,706 | 2,541 |

Notes to the financial statements

For the year ended 31 December 2019

7. Employee Costs (continued)

During 2019 retirement benefits were accruing to 2 Directors (2018: 4 Directors) in respect of defined contribution pension schemes.

The highest paid director received remuneration in 2019 of £400,000 (2018: £312,500). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,188 in 2019 (2018: £703).

8. Taxation**(a) Tax charge**

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Current tax: | | |
| UK corporation tax charge on the profit for the year | 1,732,621 | 1,658,185 |
| Adjustments relating to prior years | (101,783) | (74,191) |
| Total current tax | 1,630,838 | 1,583,994 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 329,576 | 37,719 |
| Adjustments relating to prior years | - | - |
| Total deferred tax | 329,576 | 37,719 |
| Total tax expense | 1,960,414 | 1,621,713 |

(b) Factors affecting tax charge for the year

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Profit on ordinary activities before tax | 13,131,307 | 8,770,296 |
| Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19% | 2,494,948 | 1,666,356 |
| Effects of: | | |
| Expenses not deductible for tax purposes | (968) | 35,912 |
| Dividend receivable income | (420,233) | - |
| Adjustments relating to prior years | (101,783) | (74,191) |
| Adjust closing deferred tax in respect of change in future rate of taxation | (11,550) | (6,364) |
| Total tax charge for the year | 1,960,414 | 1,621,713 |

Notes to the financial statements

For the year ended 31 December 2019

8. Taxation (continued)**(c) Deferred tax**

The deferred taxation liability is based on the expected future rate of corporation tax rate of 19% (2018: 17%) and comprises the following:

| | 31 December 2019 £ | 31 December 2018 £ |
|-------------------------------------|--------------------------|--------------------------|
| <i>Liabilities</i> | | |
| At 1 January | (98,173) | (60,454) |
| Tax credit relating to current year | (329,576) | (37,719) |
| Tax (charge) relating to prior year | - | - |
| Total deferred tax liability | (427,749) | (98,173) |

The provision for deferred taxation for both 2019 and 2018 relates to the tax effect of timing differences in respect of fixed assets.

9. Dividends

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Ordinary shares of £1 each | | |
| - Interim dividend of 167.87 per share (2018: £170.07 per share) | 3,500,000 | 3,000,000 |
| | 3,500,000 | 3,000,000 |

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

Notes to the financial statements

For the year ended 31 December 2019

10. Intangible assets

| | Internally generated software |
|----------------------------|--------------------------------------|
| | £ |
| Cost | |
| At 1 January 2018 | 153,015 |
| Additions | 414,422 |
| At 31 December 2018 | 567,437 |
| Additions | 992,941 |
| At 31 December 2019 | 1,560,378 |
| Amortisation | |
| At 1 January 2018 | 28,295 |
| Charge for the year | 106,903 |
| At 31 December 2018 | 135,198 |
| Charge for year | 246,060 |
| At 31 December 2019 | 381,258 |
| Net book value | |
| At 31 December 2018 | 432,239 |
| At 31 December 2019 | 1,179,120 |

Notes to the financial statements

For the year ended 31 December 2019

11. Property, plant and equipment

| | Leasehold improvements £ | Fixtures & fittings £ | Computer equipment £ | Total £ |
|----------------------------|--------------------------------|-----------------------------|----------------------------|------------------|
| Cost | | | | |
| At 1 January 2018 | - | 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 |
| Additions | 1,452,501 | 663,383 | 232,601 | 2,348,485 |
| Disposals | - | (87,746) | (4,894) | (92,640) |
| At 31 December 2019 | 1,452,501 | 709,201 | 380,093 | 2,541,795 |
| Depreciation | | | | |
| At 1 January 2018 | - | 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 |
| Charge for the year | 48,633 | 75,129 | 70,201 | 193,963 |
| Disposals | - | (36,640) | (4,478) | (41,118) |
| At 31 December 2019 | 48,633 | 91,077 | 150,271 | 289,981 |
| Net book value | | | | |
| At 31 December 2018 | - | 80,976 | 67,838 | 148,814 |
| At 31 December 2019 | 1,403,868 | 618,124 | 229,822 | 2,251,814 |

Notes to the financial statements

For the year ended 31 December 2019

12. Right-of-use assets and lease liabilities

The following table reconciles the minimum lease commitments disclosed in the Annual Report of the Group for the year ended 31 December 2018 to the amount of lease liabilities recognised on 1 January 2019:

| | 1 January 2019 £ |
|--|------------------------|
| Minimum operating lease commitment at 31 December 2018 | 13,134,745 |
| Less: short-term leases not recognised under IFRS 16 | (997,601) |
| Less: low value leases not recognised under IFRS 16 | (108,659) |
| Plus: effect of extension options reasonably certain to be exercised | - |
| Undiscounted lease payments | 12,028,485 |
| Less: lease commitments relating to the Brunel building to be recognised upon lease commencement | (12,028,485) |
| Lease liability as at 1 January 2019 | - |

Right-of-use assets

| | 31 December 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| At 1 January | - | - |
| Additions | 8,235,596 | - |
| Depreciation charge for the year | (446,818) | - |
| Depreciation attributable to other group companies | (38,353) | - |
| At 31 December | 7,750,425 | - |

As explained in the accounting policy for leases in note 2, as at 1 January 2019 the only leases held by the Group were for a lease term of twelve months or less. The adoption of IFRS 16 has not required any adjustment to the opening statement of financial position at that date.

In May 2019, the Group signed a ten-year lease for the new Head Office premises in London.

The additions above include £164,835 relating to the initial costs directly attributable to the lease.

Notes to the financial statements

For the year ended 31 December 2019

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

| | 31 December 2019 £ | 31 December 2018 £ |
|----------------------|-----------------------------------|-----------------------------------|
| At 1 January | - | - |
| Additions | 8,070,761 | - |
| Finance cost | 215,792 | - |
| Payments in the year | (355,986) | - |
| At 31 December | 7,930,567 | - |
| Analysis: | | |
| Current | 292,768 | - |
| Non-current | 7,637,799 | - |
| | 7,930,567 | - |

The incremental borrowing rate used to discount lease liabilities at initial inception is based on the assessment of management of 4.5%.

13. Investments

The company's operating subsidiaries as at 31 December 2019 are as follows:

| Name | Country of incorporation | Proportion of ordinary shares held |
|---|-------------------------------------|---|
| Direct Holding | | |
| Alpha FX Institutional Limited | England ¹ | 70% |
| Alpha Foreign Exchange (Canada) Limited | Canada ² | 75% |

The principal activity of all subsidiary undertakings is the provision of foreign exchange services. Shares in Alpha FX Institutional Limited and Alpha Foreign Exchange (Canada) Limited are held by Alpha FX Limited. The accounting year-ends of all subsidiaries is 31 December.

In November 2019 Alpha FX Limited increased its shareholding in Alpha FX Institutional Limited from 63.2% to 70.0%.

Registered addresses:

1. Brunel Building, 2 Canalside Walk, London, W2 1DG
2. 2200 HSBC Building, 885 West Georgia Street, Vancouver BC, V6C 3E8

Notes to the financial statements

For the year ended 31 December 2019

14. Derivative financial assets and financial liabilities

| | 31 December 2019 | | 31 December 2018 | |
|---|------------------|--------------------|------------------|--------------------|
| Derivative financial assets not designated as hedging instruments | Fair value | Notional principal | Fair value | Notional principal |
| | £ | £ | £ | £ |
| Foreign currency forward and option contracts with customers | 34,041,209 | 1,325,798,765 | 28,649,374 | 773,013,132 |
| Foreign currency forward and option contracts with banking counterparties | 8,045,090 | 1,549,496,597 | 4,075,204 | 273,831,873 |
| Other foreign exchange forward contracts | 453,026 | 15,384,010 | - | - |
| | 42,539,325 | 2,890,679,372 | 32,724,578 | 1,046,845,005 |

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

| | 31 December 2019 | | 31 December 2018 | |
|---|------------------|--------------------|------------------|--------------------|
| Derivative financial liabilities not designated as hedging instruments | Fair value | Notional principal | Fair value | Notional principal |
| | £ | £ | £ | £ |
| Foreign currency forward and option contracts with customers | 22,199,291 | 2,636,803,290 | 12,709,620 | 719,218,696 |
| Foreign currency forward and option contracts with banking counterparties | 82,300 | 9,101,344 | - | - |
| Other foreign exchange forward contracts | - | - | 6,471 | 3,920,055 |
| | 22,281,591 | 2,645,904,634 | 12,716,091 | 723,138,751 |

| Net gains/(losses) on financial assets at fair value through profit or loss | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| | £ | £ |
| Foreign exchange derivatives | (38,091) | 11,521 |
| | (38,091) | 11,521 |

Notes to the financial statements

For the year ended 31 December 2019

14. Derivative financial assets and financial liabilities (continued)

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

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

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

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

15. Financial instruments

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

| (a) Financial assets per statement of financial position | 31 December 2019 £ | 31 December 2018 £ |
|---|--------------------------|--------------------------|
| Derivatives not designated as hedging instruments | | |
| Foreign currency forward and option contracts with customers | 34,041,209 | 28,649,374 |
| Foreign currency forward and option contracts with banking counterparties | 8,045,090 | 4,075,204 |
| Other foreign exchange forward contracts | 453,026 | - |
| Total derivatives not designated as hedging instruments | 42,539,325 | 32,724,578 |
| Amortised cost assets | | |
| Other receivables excluding prepayments | 1,921,432 | 1,163,789 |
| Cash and cash equivalents | 73,960,328 | 38,381,353 |
| Other cash balances | 3,866,514 | 2,562,538 |
| Total amortised cost assets | 79,748,274 | 42,107,680 |
| Total financial assets | 122,287,599 | 74,832,258 |

Notes to the financial statements

For the year ended 31 December 2019

15. Financial instruments (continued)

| | |
|-------------|-------------|
| 31 December | 31 December |
| 2019 | 2018 |

(b) Financial liabilities per statement of financial position

| | £ | £ |
|---|--------------------|-------------------|
| Derivatives not designated as hedging instruments | | |
| Foreign currency forward and option contracts with customers | 22,199,291 | 12,709,620 |
| Foreign currency forward and option contracts with banking counterparties | 82,300 | - |
| Other foreign exchange forward contracts | - | 6,471 |
| Total derivatives not designated as hedging instruments | 22,281,591 | 12,716,091 |
| Other payables measured at amortised cost | | |
| Intercompany balances | 36,961,613 | 35,747,376 |
| Other payables and accruals | 44,085,462 | 12,418,420 |
| Total other payables | 81,047,075 | 48,165,796 |
| Total financial liabilities | 103,328,666 | 60,881,887 |

(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 | | | | | |
|--|-------------------------|--------------------------------|--------------------------|---|----------------------------|
| 2019 | Gross fair value | Variation margin offset | Fair value Offset | Net derivative financial asset/(liability) (Note 14) | Other cash balances |
| Derivative financial assets | 55,328,581 | - | (12,789,256) | 42,539,325 | 3,866,514 |
| Derivative financial liabilities | (36,197,777) | 1,126,930 | 12,789,256 | (22,281,591) | - |

| 2018 | Gross fair value | Variation margin offset | Fair value Offset | Net derivative financial asset/(liability) (Note 14) | 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) | - |

16. Fair value

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

The fair values of the 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.

17. Trade and other receivables

| | 31 December 2019 £ | 31 December 2018 £ |
|---|-----------------------|-----------------------|
| Trade receivables (derivative financial assets – note 14) | 42,539,325 | 32,724,578 |
| Other receivables | 1,043,685 | 864,242 |
| Amounts owed by subsidiary undertakings | 1,004,136 | 299,527 |
| Prepayments | 471,497 | 275,224 |
| | 45,058,643 | 34,163,571 |

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

At 31 December 2019 and 31 December 2018, the receivables are shown net of the Credit Value Adjustment.

Notes to the financial statements

For the year ended 31 December 2019

18. 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 2019 £ | 31 December 2018 £ |
|--|--------------------------|--------------------------|
| Cash and cash equivalents | 73,960,328 | 38,381,353 |
| Variation margin called by counterparties (note 15c) | 1,126,930 | 3,538,587 |
| Other cash balances | 3,866,514 | 2,562,538 |
| Total cash | 78,953,772 | 44,482,478 |

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 2019 £ | 31 December 2018 £ |
|-------------------|--------------------------|--------------------------|
| British Pound | 40,818,028 | 32,327,754 |
| Euro | 16,273,123 | 2,935,909 |
| US Dollar | 15,273,194 | 1,760,861 |
| Australian Dollar | 2,076,032 | 30,184 |
| Norwegian Krone | 2,609,018 | 5,555,546 |
| Other currencies | 1,904,377 | 1,872,224 |
| | 78,953,772 | 44,482,478 |

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.

Notes to the financial statements

For the year ended 31 December 2019

19. Capital and reserves**Share capital**

| | As at 31 December 2019 | | As at 31 December 2018 | |
|----------------------------------|------------------------------|--------|------------------------------|--------|
| | No. | £ | No. | £ |
| Authorised and allotted | | | | |
| Ordinary shares of £1 each | 17,996 | 17,996 | 17,640 | 17,640 |
| B Ordinary shares of £1 each | 1,012 | 1,012 | 1,503 | 1,503 |
| C Ordinary shares of £1 each | 841 | 841 | 863 | 863 |
| D Ordinary shares of £0.01 each | 82,000 | 820 | - | - |
| D1 Ordinary shares of £0.01 each | 10,000 | 100 | | |
| D2 Ordinary shares of £0.01 each | 8,000 | 80 | | |
| | 119,849 | 20,849 | 20,006 | 20,006 |

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 partly paid and have no entitlement to vote and do not have the right to receive dividends. Subject to certain conditions explained in note 23 the C shares can be converted into shares in Alpha FX Group plc.

In March 2019, following the vesting of the shares under the B Growth Share Scheme, 352 'B' shares were converted into '352' ordinary shares. In April 2019, following the vesting of the shares under the C Growth Share Scheme, 4 'C' shares were converted into '4' ordinary shares.

During the year ended 31 December 2019 the Company cancelled 139 'B' ordinary shares and 18 'C' ordinary shares.

On 20 November 2019, a new class of shares ("D Shares") in Alpha FX Limited was created for certain individuals employed in the Group's newly formed business division, Alpha Payments Solutions ("APS"). 82% of the shares are owned by Alpha FX Group plc, and 18% owned by management and selected employees. The 18% owned by management and employees is subcategorised into 10,000 'D1' and 8,000 'D2' shares. The value of these Shares will be linked to the performance of the APS business. From March 2023, the APS Participants will have the option to convert 25% of their holding of D1 or D2 Shares into Alpha FX Group plc shares each year for four years (with the final option being exercisable in March 2026). At conversion, and in exchange for converting their D1 or D2 shares into shares in the Group, the APS Participants' holding of D1 or D2 Shares in Alpha FX Limited will commensurately decrease and the Group's holding will commensurately increase.

Share premium account

On 20 November 2019, the Company issued 10,000 'D1' and 8,000 'D2' ordinary shares at a subscription price of £170,800. The share premium amount of £170,620 on the D1 and D2 shares represents the difference between the subscription price and the nominal value of the shares. The deduction of £14,598 from the share premium account related to the cancellation of C shares during the year.

Notes to the financial statements

For the year ended 31 December 2019

19. Capital and reserves (continued)

Capital contribution reserve

The capital contribution reserve increased in 2019 by £359,249 as a result of the share-based payment charge (2018: £265,563).

Retained earnings

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

20. Trade and other payables

| | 31 December 2019 £ | 31 December 2018 £ |
|---|--------------------------|--------------------------|
| Trade payables (Derivative financial liability – note 14) | 22,281,591 | 12,716,091 |
| Other payables | 42,953,600 | 11,908,960 |
| Other taxation and social security | 984,930 | 784,599 |
| Amounts due from Group undertakings | 37,060,738 | 35,747,376 |
| Lease Liability (note 12) | 7,637,799 | - |
| Accruals and deferred income | 1,162,749 | 509,460 |
| | 112,081,407 | 61,666,486 |

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.

Notes to the financial statements

For the year ended 31 December 2019

21. Provisions

| | 31 December 2019 £ | 31 December 2018 £ |
|-----------------------|--------------------------|--------------------------|
| At 1 January | 199,063 | 190,000 |
| Increase in provision | 103,501 | 203,684 |
| Utilised in year | (206,961) | (194,621) |
| At 31 December | 95,603 | 199,063 |
| Analysis: | | |
| Current | 95,603 | 43,350 |
| Non-current | - | 155,713 |
| | 95,603 | 199,063 |

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.

22. Related party transactions

The parent company is Alpha FX Group plc. Note 13 provides information about the subsidiaries and the holding company. Details of the ultimate controlling party can be found in note 24.

The total transaction volume of foreign currency contracts traded by Alpha FX Limited on normal commercial terms with the following key management personnel within the year was as follows;

- C I Kahn £15,637 (2018: £22,899),
- M J Tillbrook £32,689 (2018: £0),
- A J Hall £7,692 (2018: £0),

None of these contracts were open at the year end.

Notes to the financial statements

For the year ended 31 December 2019

23. 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. In March 2019 352 Growth B shares were exercised in respect of the year ended 31 December 2018 and 576,442 shares in Alpha FX Group PLC were issued as consideration.

The share-based payment charge of the B Growth Shares in the year ended 31 December 2019 was £54,134 (2018: £115,385).

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.

Notes to the financial statements

For the year ended 31 December 2019

23. Share based payments (continued)

The rate of conversion is that the C Shares will be regarded as worth a pro rata share of the share price gain of Alpha FX Group plc above a hurdle price of 550p based upon the market price of Alpha FX Group plc at the time of allotment.

Upon conversion the number of ordinary shares in Alpha FX Group plc, 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.

In April 2019, 4 C Growth Shares were exercised in respect of the year ended 31 December 2018 and 1,546 shares in Alpha FX Group plc were issued as consideration, whilst 89 C Growth Shares that were available to be exercised were rolled to subsequent years. Based on share price of the Company of 1250p at 31 December 2019, if all C Shareholders exercise the put options in respect of the year ended 31 December 2019 together with those unexercised for the year ended 31 December 2018, it is estimated that the Company will issue 306,647 shares.

The share-based payment charge of the C Growth Shares in the year ended 31 December 2019 was £305,115 (2018: £150,178).

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

| | 31 December 2019 | | 31 December 2018 | |
|----------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | B Growth Share Scheme No. | C Growth Share scheme No. | B Growth Share Scheme No. | C Growth Share scheme No. |
| Outstanding at beginning of year | 1,503 | 863 | 2,073 | - |
| Granted in the year | - | - | - | 863 |
| Exercised in the year | (352) | (4) | (390) | - |
| Forfeited in the year | (139) | (18) | (180) | - |
| Outstanding at end of year | 1,012 | 841 | 1,503 | 863 |

The fair value of the Growth Share Schemes was calculated using a Monte-Carlo simulation model. The model considers historical and expected dividends, and the share price volatility of the Group relative to that of its competitors, to predict the share performance. When determining the grant date fair value of awards, service and non-market performance conditions are not considered. However, the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Notes to the financial statements

For the year ended 31 December 2019

23. Share based payments (continued)

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:

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

Save As You Earn (SAYE) scheme

In December 2018 the Group announced that it had launched a scheme for all employees under which they are granted an option to purchase ordinary shares in the Group under a HMRC-approved SAYE scheme. Options are granted at a 20% discount to the market price of the shares on the day preceding the date of offer and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. At 31 December 2019 options were outstanding over 134,281 shares (31 December 2018 – 140,857 shares). The assumptions used in the measurement of the fair value at grant date of the Sharesave plans are as follows:

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

The share-based payment charge of the SAYE scheme the year ended 31 December 2019 was £52,306 (2018: £31,208).

Alpha Payment Solutions (APS)

On 20 November 2019 Alpha FX Group plc announced that it had put in place an employee share ownership incentive scheme for certain individuals employed in the Group's newly formed business division, Alpha Payments Solutions ("APS"). A new class of shares ("D Shares") in Alpha FX Limited has been created, with 18% owned by management and selected employees. The value of the D Shares will be linked to the performance of the APS business. From March 2023, the APS Participants will have the option to convert 25% of their holding of D Shares into Group shares each year for four years (with the final option being exercisable in March 2026). At conversion, and in exchange for converting their D shares into shares in the Group, the APS Participants' holding of D Shares in Alpha FX Limited will commensurately decrease and the Group's holding will commensurately increase.

Notes to the financial statements

For the year ended 31 December 2019

23. Share based payments (continued)

Other share schemes

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

24. Ultimate controlling party

The ultimate controlling party and immediate parent 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.alphafox.co.uk/investors/financial-information/reports-and-accounts.

25. Events after the reporting period

Nature of events:

COVID-19 currency impact

The acceleration of COVID-19 coupled with the oil price collapse has led to unprecedented falls in the value of certain currencies. The Norwegian Krona fell as much as 15.9% against USD: the largest weekly move in the currency pair's history and nearly three times its previous largest fall of 6.4%, recorded during the 2008 financial crisis. As a result of this, one client subsequently became unable to pay the full margin owed on its forward contracts when due. These contracts were therefore cancelled, leaving £30.2m owed to Alpha FX Limited. To support this client, the Company has entered into a legally binding settlement agreement with the client to provide it with a payment plan whereby the full amount is repaid in equal weekly instalments, from 3 April 2020 until 10 June 2022.

Estimated financial effect:

Statement of financial position

The £30.2m debtor balance will be recognised as an equal and opposite entry to trade and other receivables, and trade and other payables in the statement of financial position.

Statement of profit or loss

Amortisation and impairment will be recognised on day one, and subsequently unwound at the effective interest rate over the course of the repayment schedule.

Notes to the financial statements

For the year ended 31 December 2019

25. Events after the reporting period (continued)

Based on the agreed repayment schedule, the immediate impact on the statement of profit or loss will be approximately £2.0m, and by 31 December 2020 will have reduced to approximately £0.9m. The net impact on the statement of profit or loss is expected to be nil once full payment of the debt has been received.

Other:

In addition, the Company has several other clients on payments plans, totalling approximately £2m. We expect these amounts to be recovered in full during 2020 and therefore do not anticipate they will have a significant impact on the business.