

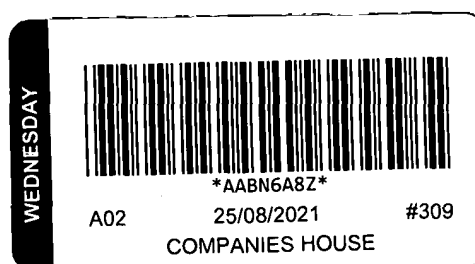
Alpha FX Limited

Financial Statements for the year ended 31 December 2020

for

Alpha FX Limited

Company no. 05108142



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For the year ended 31 December 2020

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Alpha FX Limited

Company Information

For the year ended 31 December 2020

DIRECTORS: T C Kidd
M J Tillbrook
T Butters

SECRETARY: S J Kang

REGISTERED OFFICE: Brunel Building
2 Canalside Walk,
London,
W2 1DG

REGISTERED NUMBER: 05108142 (England and Wales)

AUDITORS: BDO LLP
55 Baker Street,
Marylebone,
London,
W1U 7EU

Alpha FX Limited

Strategic report

For the year ended 31 December 2020

INTRODUCTION

The Directors present their report with the financial statements of the Company for the year ended 31 December 2020.

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 Platform Solutions ("APS"), formerly Alpha Payment Solutions, 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.

Despite the impact of COVID-19, 2020 was another successful year for Alpha. Revenue growth was particularly strong, this performance was spearheaded by significant growth in APS.

The 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.

CLIENT SETTLEMENT AGREEMENT

During the year the Company entered into a settlement agreement with a Norwegian client whereby weekly repayments are due until June 2022 in respect of their obligations for unpaid margin totalling £30.2m. Throughout the year the client has continued to meet their settlement agreement cash repayment obligations on time with a gross balance of £20.2m outstanding at 31 December 2020. Accounting standards require the Company to book two accounting provisions that have no cash impact. The first provision of £0.3m at 31 December 2020 is based on an estimated probability of default, with the charge included in operating expenses. The second net provision of £0.6m at 31 December 2020 represents the difference between the nominal value of future payments and their net present value. The initial provision of £1.3m is included in operating expenses whilst the reversal of the provision during the year of £0.7m is included within finance income. All of these provisions should reverse in full as cash repayments are received in the period to June 2022.

KEY PERFORMANCE INDICATORS

The key KPI's of the Company in the year ended 31 December 2020 were:

Revenue	£35.0m (+24%)
Operating profit	£14.7m (+11%)
Number of clients*	598 (+5%)

*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.

Alpha FX Limited

ENGAGING WITH OUR STAKEHOLDERS – SECTION 172 STATEMENT

Stakeholder	How did we engage with them?	What were the key topics?	Outcomes
Our Team Our people are the lifeblood of our business. Their skills, values and commitment enable us to provide a leading level of service to our clients and grow.	<p>In 2020 we introduced our employee roadshows, which saw our CEO and CFO present our interim and final results, as well as the company's new strategy, to small groups of employees and then engage in a Q&A. This has been key to engaging with employees or the Company's performance and direction and providing them with an opportunity to provide feedback.</p> <p>In addition, we continue to engage with and review feedback from employees in a number of ways, including: bi-annual townhalls after roadshows, departmental forums chaired by the CEO, 360 feedback surveys, anonymous Glassdoor reviews, 1-2-1 meetings, company-wide social events, and annual award ceremonies.</p> <p>Furthermore, the company adopts a principle known as 'radical candour', which encourages employees to regularly provide candid feedback to one another, regardless of seniority or tenure.</p>	<ul style="list-style-type: none"> - Operational and financial performance - Our new vision, mission and strategy - Company values and purpose - Key challenges ahead of us - Resource planning - Career opportunities and progression - Work-life balance in the context of our 'work-hard, live well' philosophy - Impact of COVID-19 	<ul style="list-style-type: none"> - Corporate strategy visualised and shared across the entire company - All departments tasked with providing greater flexibility to their teams, particularly regarding working remotely - 'Complexity and complacency' register introduced, designed to challenge employees to cut-out unnecessary complexity as the Company scales, and celebrate breakthroughs in this area - Improved hiring strategy put in place to increase headcount in areas teams were reporting they were under-resourced - 360 feedback conducted on many of the senior team, including the CEO - Improved working relationships and strategic alignment between colleagues
Our Alpha FX Group plc Shareholders We value the views of our shareholders and their ability to provide capital to support our growth when we need it.	<p>Our CEO and CFO had virtual meetings with potential and existing shareholders to discuss the Company's performance. The Company has also conducted site visits and virtual meetings with investors on an ad-hoc basis throughout the year.</p>	<ul style="list-style-type: none"> - Financial and operational performance of the Company - Strategic priorities and long-term direction - Our business model and market opportunities - Regulatory implications of Brexit - Update on the progress of our Norwegian client - Succession planning and long-term retention of employees - Dividend strategy - COVID-19 implications 	<ul style="list-style-type: none"> - Made additional calls and RNS announcements to maximise transparency over Alpha's performance during the pandemic - Shareholder feedback received via our brokers following both our full year and interim results roadshows - Additional disclosures published on our website to provide greater transparency over our client concentration risk - Investor relations updates provided to the Board when appropriate, which includes feedback from investors and suggestions for improving communications - £20m secondary raise during the pandemic, following strong overall appetite from our investor base
Our Clients It is our clients that enable us to grow our business in the way we do. Understanding their needs and offering solutions to support them is essential if we want to remain an organisation focused on providing high-quality solutions to high-quality businesses.	<p>Given our service's consultative nature, we are fortunate to be able to gain ongoing feedback from clients through a number of means, including telephone conversations, face-to-face meetings, and attendance and hosting of industry-related events. Members of the senior management team, including the CEO and CFO, also meet with key clients throughout the year and use this opportunity to obtain feedback on the service.</p> <p>Online, clients can provide feedback on specific features of our platform via a feedback form and independent feedback is also monitored and reviewed via third-party providers, such as Google Reviews.</p>	<ul style="list-style-type: none"> - The key problems and challenges our clients face that we may be able to support them on - What clients like about our service and what they don't - Feedback on new products and features 	<ul style="list-style-type: none"> - Launched our new business strategy, with a key focus on 'Client Centricity' - Expanded our Client Services team to ensure we can continue to provide a high-touch level of service as we scale - Committed to do independent third-party research in 2021 to deepen our understanding of clients in newer marketplaces.
Our Business Partners Our partners play a key part in enabling us to deliver a leading service to our clients by amplifying our capabilities and efficiencies.	<p>We regularly keep our partners informed of our business performance through public announcements, face-to-face meetings and telephone contact. New partners are also invited to visit us at our offices to get a better feel for our culture and way of working, and we in turn also take the time to visit key suppliers.</p>	<ul style="list-style-type: none"> - Business financial and operational performance - Strategic direction - Key challenges we face - Business referrals and promotional support - Innovation and knowledge sharing 	<ul style="list-style-type: none"> - We continue to partner with a number of high-quality organisations that understand our business and the part they play in our long-term ambitions; this enables us to remain agile as we scale whilst providing our employees and clients with leading tools and solutions
Communities & Environment We value the opportunity to support organisations and causes that are important to our stakeholders and us.	<p>As our business has grown, we have taken steps to look beyond our own community in order to support others. At the beginning of the year we engaged with several charities put forward to us by our employees, to understand which we could best support.</p> <p>Given our business' activities, we do not believe we have a material impact on the environment. Nevertheless, we continue to take steps to minimise any impact where possible, and new environmental initiatives are discussed annually with the CSR committee.</p>	<ul style="list-style-type: none"> - How we could support the charity, both financially and in terms of raising awareness. - The impact of COVID-19 on fundraising and the availability of government support. 	<ul style="list-style-type: none"> - A CSR committee was established in March consisting of the Company's CFO, HR Manager & Head of Marketing. The committee is responsible for tabling new CSR initiatives and implementing them across the business. - In 2019, we raised over £23,000 for SUDEP Action (Sudden Unexpected Death in Epilepsy) in memory of our friend and colleague Ella Tunney. - Cycle to work scheme introduced to all UK employees.

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.

Alpha FX Limited

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).

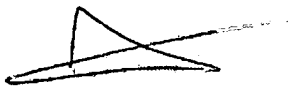
The Company also maintains a strict division between Front and Back Office functions to ensure Back Office remain independent and attentive to any errors that may have been caused by Front Office. Internal fraud is minimised through investment in compliance resource and functions, DBS screening all Back-Office 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.

COVID-19 Risk

The occurrence of COVID-19 presents potentially unprecedented risks to businesses including the potential impact on staff and the subsequent impact on the wider economy.

Given our agile operating model and strong capital position, we have continued to provide the highest levels of service to our clients. The Company has successfully implemented all aspects of its business continuity plan, requiring at times all staff to work remotely. The safety and wellbeing of our staff has and always will be our top priority. The Company's technology platform is well equipped to maintain operations on this basis for as long as required.

ON BEHALF OF THE BOARD:



M J Tillbrook - Director
19 April 2021

Directors' Report

for the year ended 31 December 2020.

DIRECTORS

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

T Butters (appointed 1 February 2021)

T C Kidd

H Lisney (resigned 4 May 2020)

M J Tillbrook

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £12,634,343 (2019 - £11,170,893).

Following a strong 2020 and an increasing client base, the Board considers that the Company remains well positioned to capture opportunities in the corporate FX and alternative banking marketplaces. An interim dividend of £925,000 (2019; £3,500,000) was paid during the year (see note 9).

PRINCIPAL RISKS AND UNCERTAINTIES

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the 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.

GOING CONCERN

The Directors believe the Company is in a strong financial position due to its profitable operations and strong cash generation, and therefore that the Company has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

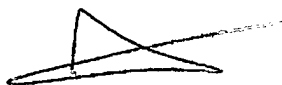
The Company has not made any political donations in the past and does not intend to make any in the future.

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



ON BEHALF OF THE BOARD:

M J Tillbrook - Director

19 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA FX LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profits 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.

We have audited the financial statements of Alpha FX Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive Income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

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

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

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

- We made enquiries of management and the Board of Directors including reviewing management's risk management procedures and internal controls in place.

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- We noted that the front office sales staff work on a commission basis. As a result there is the possibility that sales staff place fraudulent trades in order to achieve commission targets. This was addressed through our journal entry testing and under the existence and accuracy tests for revenue.
- The Company operates growth share schemes which are aimed at aligning management staff interest to those of the Company. These growth share schemes include a revenue performance target which may further incentivise staff to manipulate Company results. This was addressed through our journal entry testing procedures.
- We discussed within the audit team the potential fraud risks on the following significant estimates as sources of irregularity or fraud risk through fraudulent financial reporting: Judgemental areas on IFRS 2 growth shares valuation, Judgemental qualitative aspects to ECL on IFRS 9 on initial recognition and impairment, Credit Valuation Adjustments (CVA) and management override risk. In addition, existence and accuracy of revenue was determined to be a key areas of potential fraud risk.

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

Non-compliance with laws and regulations was identified as a risk in relation to compliance with FCA regulations and compliance with the Companies Act 2006 requirements among others. We also performed procedures to address these laws and regulations risks as part of our audit work. We made enquiries of management on compliance with laws and regulations and obtained a management representation letter confirming that management have provided us with all information necessary for us to evaluate whether there were any material noncompliance to laws and regulations including fraud in all jurisdictions where the group has business operations. We read minutes of management meetings, Board minutes and correspondence with regulators in order to identify any non-compliance with laws and regulations. We have reviewed outstanding litigation cases and confirmed that the related disclosures in the financial statements are appropriate.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <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

19 April 2021

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

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Statement of comprehensive income

For the year ended 31 December 2020

		Year ended 31 December 2020	Year ended 31 December 2019
	Note	£	£
Revenue		35,038,899	28,237,628
Other operating income	5	2,065,018	2,211,750
Operating expenses	5	(22,388,257)	(16,642,759)
Exceptional property related costs		-	(555,230)
Operating profit		14,715,660	13,251,389
Finance income	6	746,927	62,784
Finance costs	6	(318,293)	(182,866)
Profit before taxation		15,144,294	13,131,307
Taxation	8	(2,509,951)	(1,960,414)
Profit and total comprehensive income for the year		12,634,343	11,170,893

The results stated above are derived from continuing activities.

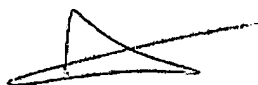
The notes on pages 16 to 46 form part of these financial statements.

Statement of financial position
 As at 31 December 2020

Company Number: 05108142

		As at 31 December 2020 £	As at 31 December 2019 £
	<i>Note</i>		
Non-current assets			
Intangible assets	10	2,073,725	1,179,120
Property, plant and equipment	11	2,210,661	2,251,814
Investments	13	660,962	282,255
Right-of-use asset	12	6,943,353	7,750,425
Trade and other receivables	17	5,832,246	-
Total non-current assets		17,720,947	11,463,614
Current assets			
Trade and other receivables	17	70,950,698	45,058,643
Cash and cash equivalents	18	82,971,922	73,960,328
Other cash balances	18	4,025,094	3,866,514
Total current assets		157,947,714	122,885,485
Total assets		175,668,661	134,349,099
Equity			
Share capital	19	21,707	20,849
Share premium account	19	1,885,872	855,915
Capital redemption reserve	19	62,068	-
Capital contribution reserve	19	1,388,574	1,030,247
Retained earnings	19	30,926,151	19,278,876
Total equity		34,284,372	21,185,887
Current liabilities			
Trade and other payables	20	133,020,902	104,736,376
Provisions	21	-	95,603
Current tax liability		548,970	265,685
Total current liabilities		133,569,872	105,097,664
Non-current liabilities			
Deferred tax liability	8	624,452	427,749
Lease liability	12	7,189,965	7,637,799
Total non-current liabilities		7,814,417	8,065,548
Total equity and liabilities		175,668,661	134,349,099

The financial statements of Alpha FX Limited were approved by the Board of Directors on 19 April 2021 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.

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Statement of changes in equity

For the year ended 31 December 2020

	Share capital £	Share Premium account £	Capital redemption reserve £	Capital contribution reserve £	Retained earnings £	Total £
Balance at 1 January 2019	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
Profit and total comprehensive income for the financial year	-	-	-	-	12,634,343	12,634,343
<i>Transactions with owners</i>						
Issue of D1 ordinary shares	35	97,966	-	-	-	98,001
Issue of D2 ordinary shares	45	58,905	-	-	-	58,950
Issue of E ordinary shares	882	935,080	-	-	-	935,962
Cancellation of C ordinary shares	(14)	(11,354)	11,368	-	(11,368)	(11,368)
Cancellation of D ordinary shares	(30)	-	-	-	-	(30)
Cancellation of D2 ordinary shares	(60)	(50,640)	50,700	-	(50,700)	(50,700)
Dividends paid	-	-	-	-	(925,000)	(925,000)
Share-based payments	-	-	-	358,327	-	358,327
Balance at 31 December 2020	21,707	1,885,872	62,068	1,388,574	30,926,151	34,284,372

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

Notes to the financial statements

For the year ended 31 December 2020

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. Activities range from providing strategies, analysis and execution products to help businesses manage currency volatility and delivering payments and collections and accounts solutions that help clients send, receive and hold funds internationally.

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 2020 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 accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 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 IAS;
- 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 (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

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

a) New standards, interpretations and amendments effective from 1 January 2020

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Error (Amendment- definition of material); and
- Revised Conceptual Framework for Financial Reporting.

b) New standards, interpretations and amendments not yet effective

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

Alpha FX Limited is currently assessing the impact of these new accounting standards and amendments.

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 and Chief Finance Officer.

Going concern

The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous review of financial forecasts and available resources, with additional specific consideration given to the uncertain impacts to the Company resulting from the COVID-19 pandemic. The Company meets its day-to-day working capital requirements through its strong cash reserves. As at 31 December 2020, the Company had a healthy liquidity position with £83.0m of cash and cash equivalents (see Note 18) of which the Company's adjusted net cash excluding client funds was £52.3m (see breakdown below), with no debt financing commitments. The Company has net current assets of £24.3m at 31 December 2020 and net assets of £34.3m.

Alpha FX Limited

	31 Dec 20	31 Dec 19
	£'000	£'000
Net cash and cash equivalents	82,972	73,960
Variation margin paid to banking counterparties	17,734	1,127
	100,706	75,087
Margin received from clients and client held funds*	(50,767)	(41,862)
Net MTM timing loss from client drawdowns and extensions within trade receivables	2,332	5,364
Adjusted net cash**	52,271	38,589

* Included in 'other payables' within 'trade and other payables'

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

In assessing going concern, management have considered the effects of the COVID-19 pandemic including the impact on the Company's operations, budget for the year ended 31 December 2021 and forecast for 2022. The Company has not seen any slowdown in revenue during the COVID-19 pandemic and cash conversion has continued to improve. Having adopted cloud technology since inception, the Company has always been very well placed to operate remotely. Should it be necessary, it will continue to utilise this core capability to continue to deliver our services to our clients at this critical time, whilst also safeguarding the health of our employees and their families.

Given the unprecedented nature of the pandemic, severe downside scenarios have been modelled where revenue targets are missed by up to 46% in 2021, together with the assumption that a number of clients are unable to meet their mark-to market obligations. Even in these scenarios, the Company has strong liquidity, no external debt and several mitigating actions that would allow it to meet its financial liabilities as they fall due. These mitigating actions, should they be required, are all within management's control and could include reducing new recruitment, lowering commission or bonus payments, and reduced capital expenditure. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Revenue

FX Hedging

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 immediately enters into a separate matched contract with its banking counterparty.

Payments and collections

Alpha Platform Solutions provides 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 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition.

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

The five-step model requires the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

Contract assets and receivables are accounted for in accordance with IFRS 9. The company receives revenue 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.

Account fees

In 2020 the Company recognised revenue in relation to account fees for the provision of e-money bank accounts. The fees charged represent the cost required to set up the account including the cost of compliance onboarding and a detailed client review. The annual setup fee is recognised in the statement of comprehensive income on completion of the account set up since this represents a distinct performance obligation, whilst revenue related to a specific transaction is recognised separately at the date of the transaction.

Foreign currency translation

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

Transactions and balances

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

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.

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 2020.

Financial Assets

Initial measurement

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

Subsequent measurement

IFRS 9 divides all financial assets that were previously under the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are either recognised in the statement of comprehensive income.

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

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

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the 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

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

De-recognition of financial assets

Financial assets will be de-recognised when the contractual rights to the cash flows from the assets have expired, or when the Company transfers its contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. Management's judgment is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether the Company retains the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows.

Impairment

Impairment provisions are recognised under the general approach according to a three-stage expected credit loss impairment model. Impairment provisions represent the difference between the present value of all contractual cashflows and the present value of expected future cashflows. Impairment losses are recognised in the statement of comprehensive income. The Company performs an assessment of significant increase in credit risk on an annual basis.

The Company has elected to apply the simplified approach to the Norwegian client receivable balance.

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

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

Offsetting financial instruments

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

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 immediate back-to-back derivative transactions with counterparties. These transactions are classified as financial instruments at fair value through profit or loss and are shown gross, except where a netting agreement, which is legally enforceable, exists and the intention is for the asset and liability to be settled net.

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

Cash and cash equivalents

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

Other payables

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

Fair value

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

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

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

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

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

Taxes

Current income tax

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

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

Deferred income tax

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

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

Deferred tax assets and liabilities are offset when the 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. 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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

Intangible assets

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

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

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

In accordance with IFRS 16, the Company 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 right-of-use asset is initially measured at cost, comprising: the initial lease liability; any lease payments made before commencement of the lease, less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies (continued)

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

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

Short term/low value exemptions

Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in the 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.

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

The Company recognises impairment provisions under the general approach according to a three-stage expected credit loss impairment model. Impairment provisions represent the difference between the present value of all contractual cashflows and the present value of expected future cashflows. To calculate the present value of the future expected cash flows, management must make an estimate of expected future cash flows and apply an appropriate discount factor, estimated using the latest market information.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. The Company performs an assessment of significant increase in credit risk on an annual basis.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Significant accounting estimates and judgments (continued)

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 of £3.5m (2019: £2.7m) 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.

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 2020 £	31 December 2019 £
Foreign currency forward contracts	16,901,663	19,618,496
Foreign exchange spot transactions	10,800,049	6,410,701
Option contracts	4,406,171	1,803,117
Payments and collections*	2,931,016	405,314
Total revenue	35,038,899	28,237,628
Profit before taxation	15,144,294	13,131,307

* Payments and collections relate to fees received from payments, collections and currency accounts.

During the year end, the company earned revenue of £15,714,959 (2019: £17,718,753) from entities in the UK, £5,075,320 (2019: £138,449) from entities in France, £2,297,178 (2019: £2,906,385) from entities in the Isle of Man, £1,366,172 (2019: £684,176) from entities in Spain, £787,438 (2019: £554,521) from entities in the Netherlands, £477,245 (2019: £2,560,810) from entities in Norway, and £9,320,587 (2019: £3,674,534) from entities in other countries. All revenue is from external customers.

Notes to the financial statements (continued)

For the year ended 31 December 2020

5. Operating profit

Operating profit is stated after charging/ (crediting):

	31 December 2020 £	31 December 2019 £
Other operating income – dividends received from subsidiary undertakings	(2,065,018)	(2,211,750)
Depreciation of right-of-use assets	651,116	446,818
Depreciation of owned property, plant and equipment	409,599	193,963
Amortisation of internally generated intangible assets	445,979	246,060
Estimated probability of client default in relation to Norwegian client	269,947	-
Staff costs (see note 7)	12,094,779	10,149,153
Initial recognition of discount relating to the Norwegian client*	1,275,067	-
Net foreign exchange losses	698,658	38,091
Increase in provisions (note 21)	-	103,501
Audit fees:		
Statutory audit	58,500	50,000
Agreed upon work on interim FS	7,000	3,000
Audit related services (includes CASS)	5,000	4,500
Other non-audit services	-	3,300

*The provision of £1,275,066 (2019: £nil) represents the initial recognition of the difference between the nominal value of future payments from the Norwegian client and their net present value. As the provision unwinds, the reversal is recorded within finance income (note 6) and £712,639 (2019: £nil) was reversed in the year. As a result, the net impact in the statement of comprehensive income in the year was a charge of £562,427 (2019: £nil). This balance will reverse in full in finance income as the remaining repayments are received in the period to June 2022.

6. Finance income and expenses

	31 December 2020 £	31 December 2019 £
Finance income		
Interest on bank deposits	-	62,630
Other interest receivable	34,288	154
Finance income to discount client receivable to net present value	712,639	-
	746,927	62,784
Finance costs		
Interest on bank deposits	(42,248)	18,683
Finance cost on lease liabilities	(276,045)	(201,549)
	(318,293)	(182,866)

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Employee costs

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

	31 December 2020 £	31 December 2019 £
Wages and salaries	10,319,986	8,629,438
Social security costs	1,286,875	1,063,692
Share-based payment charge	358,327	359,249
Other pension costs	129,591	96,774
Employee benefit expense included in operating profit	12,094,779	10,149,153

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

	31 December 2020 No.	31 December 2019 No.
Directors	2	3
Sales, administration and support staff	106	81
	108	84

Directors' remuneration

	31 December 2020 £	31 December 2019 £
Aggregate Directors' emoluments	642,964	1,065,524
Aggregate Directors' pension scheme contributions	1,314	4,706

During 2020 retirement benefits was accrued to 1 Director (2019: 2 Directors) in respect of defined contribution pension schemes.

The highest paid director received remuneration in 2020 of £360,000 (2019: £400,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,314 in 2020 (2019: £1,188).

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

	31 December 2020 £	31 December 2019 £
Current tax:		
UK corporation tax charge on the profit for the year	2,388,546	1,732,621
Adjustments relating to prior years	(75,298)	(101,783)
Total current tax	2,313,248	1,630,838
Deferred tax		
Origination and reversal of temporary differences	195,302	329,576
Adjustments relating to prior years	1,401	-
Total deferred tax	196,703	329,576
Total tax expense	2,509,951	1,960,414

Notes to the financial statements (continued)

For the year ended 31 December 2020

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

	31 December 2020 £	31 December 2019 £
Profit on ordinary activities before tax	15,144,294	13,131,307
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19% (2019: 19%)	2,877,416	2,494,948
Effects of:		
Expenses not deductible for tax purposes	100,186	(968)
Dividend receivable income	(392,353)	(420,233)
Adjustments relating to prior years	(75,298)	(101,783)
Adjust closing deferred tax in respect of change in future rate of taxation	-	(11,550)
Total tax charge for the year	2,509,951	1,960,414

(c) Deferred tax

The deferred taxation liability is based on the expected future rate of corporation tax rate of 19% (2019: 19%) and comprises the following:

	31 December 2020 £	31 December 2019 £
<i>Liabilities</i>		
At 1 January	427,749	98,173
Tax charge relating to current year	196,703	329,576
Total deferred tax liability	624,452	427,749

The provision for deferred taxation for both 2020 and 2019 relates to the tax effect of timing differences in respect of fixed assets.

9. Dividends

	31 December 2020 £	31 December 2019 £
Ordinary shares of £1 each		
- Interim dividend in 2019 of £194.49 per share	-	3,500,000
Ordinary D and D1 shares of £0.01 each		
- Interim dividend of £10.00 per shares (2019: £nil)	925,000	-
	925,000	3,500,000

A reconciliation of the movements in share capital for each year is included in note 19.

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Intangible assets

	Internally generated software £
Cost	
At 1 January 2019	567,437
Additions	992,941
At 31 December 2019	1,560,378
Additions	1,666,057
Impairment	(561,390)
At 31 December 2020	2,665,045
Amortisation	
At 1 January 2019	135,198
Charge for the year	246,060
At 31 December 2019	381,258
Charge for the year*	493,250
Impairment	(283,188)
At 31 December 2020	591,320
Net book value	
At 31 December 2019	1,179,120
At 31 December 2020	2,073,725

*During the year, £47,271 of amortisation was recharged to other entities in the Group.

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Property, plant and equipment

	Leasehold improvements £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2019	-	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
Additions	-	68,429	324,130	392,559
Disposals	-	-	-	-
At 31 December 2020	1,452,501	777,630	704,223	2,934,354
Depreciation				
At 1 January 2019	-	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
Charge for the year*	149,743	141,474	142,495	433,712
Disposals	-	-	-	-
At 31 December 2020	198,376	232,551	292,766	723,693
Net book value				
At 31 December 2019	1,403,868	618,124	229,822	2,251,814
At 31 December 2020	1,254,125	545,079	411,457	2,210,661

*During the year, £24,113 of depreciation relating to computer equipment was recharged to other entities in the Group.

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Right-of-use assets and lease liabilities**Right-of-use assets**

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

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

	31 December 2020	31 December 2019
	£	£
At 1 January	7,750,425	-
Additions	-	8,235,596
Depreciation charge for the year	(651,116)	(446,818)
Depreciation attributable to other group companies	(155,956)	(38,353)
At 31 December	6,943,353	7,750,425

Lease liabilities	31 December 2020	31 December 2019
	£	£
At 1 January	7,930,567	-
Additions	-	8,070,761
Finance cost	327,433	215,792
Payments in the year	(775,267)	(355,986)
At 31 December	7,482,733	7,930,567

Analysis:		
Current	292,768	292,768
Non-current	7,189,965	7,637,799
	7,482,733	7,930,567

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Subsidiaries

The Company's operating subsidiaries as at 31 December 2020 are as follows:

Name	Country of incorporation	Proportion of ordinary shares held
Direct Holding		
Alpha FX Institutional Limited	England ¹	74.4%
Alpha Foreign Exchange (Canada) Limited	Canada ²	75%
Alpha FX Netherlands Limited	England ¹	100%
Alpha FX Europe Limited	Malta ³	100%

Alpha FX Europe Limited was incorporated in October 2020 and was dormant until the 31 December.

The principal activity of all subsidiary undertakings is the provision of foreign exchange services. All shares in subsidiary undertakings are directly held by Alpha FX Limited. The accounting year-ends of all subsidiaries is 31 December.

In August 2020 Alpha FX Limited increased its shareholding in Alpha FX Institutional Limited from 70.0% to 74.4%.

Registered addresses:

1. Brunel Building, 2 Canalside Walk, London, W2 1DG
2. 2200 HSBC Building, 885 West Georgia Street, Vancouver BC, V6C 3E8
3. 171, Old Bakery Street, Valletta VLT1455, Malta

14. Derivative financial assets and financial liabilities

Derivative financial assets not designated as hedging instruments	31 December 2020		31 December 2019	
	Fair value £	Notional principal £	Fair value £	Notional principal £
Foreign currency forward and option contracts with customers	51,347,729	2,851,993,873	34,041,209	1,325,798,765
Foreign currency forward and option contracts with banking counterparties	1,182,257	2,462,538,071	8,045,090	1,549,496,597
Other foreign exchange forward contracts	2,114,495	37,662,514	453,026	15,384,010
	54,644,481	5,352,194,458	42,539,325	2,890,679,372

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Derivative financial assets and financial liabilities (continued)

Derivative financial liabilities not designated as hedging instruments	31 December 2020		31 December 2019	
	Fair value £	Notional principal £	Fair value £	Notional principal £
Foreign currency forward and option contracts with customers	17,590,772	4,278,424,926	22,199,291	2,636,803,290
Foreign currency forward and option contracts with banking counterparties	-	-	82,300	9,101,344
	17,590,772	4,278,424,926	22,281,591	2,645,904,634
Net (losses) on financial assets at fair value through profit or loss			31 December 2020 £	31 December 2019 £
Foreign exchange derivatives			(698,658)	(38,091)
			(698,658)	(38,091)

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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

15. Financial instruments

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

	31 December 2020 £	31 December 2019 £
(a) Financial assets per statement of financial position		
Derivatives not designated as hedging instruments		
Foreign currency forward and option contracts with customers	51,347,729	34,041,209
Foreign currency forward and option contracts with banking counterparties	1,182,257	8,045,090
Other foreign exchange forward contracts	2,114,495	453,026
Total derivatives not designated as hedging instruments	54,644,481	42,539,325
Amortised cost assets		
Financial assets at amortised cost	17,636,404	-
Other receivables excluding prepayments	3,209,513	1,921,432
Cash and cash equivalents	82,971,922	73,960,328
Other cash balances	4,025,094	3,866,514
Total amortised cost assets	107,842,933	79,748,274
Total financial assets	162,487,414	122,287,599
	31 December 2020 £	31 December 2019 £
(b) Financial liabilities per statement of financial position		
Derivatives not designated as hedging instruments		
Foreign currency forward and option contracts with customers	17,590,772	22,199,291
Foreign currency forward and option contracts with banking counterparties	-	82,300
Total derivatives not designated as hedging instruments	17,590,772	22,281,591
Other payables measured at amortised cost		
Intercompany balances	59,416,551	36,961,613
Other payables and accruals	54,904,607	44,085,462
Total other payables	114,321,158	81,047,075
Total financial liabilities	131,911,930	103,328,666

Notes to the financial statements (continued)

For the year ended 31 December 2020

15. Financial instruments (continued)**(c) Offsetting financial assets and financial liabilities**

Financial instruments at fair value through profit and loss represent simultaneous back-to-back derivative transactions with banking counterparties and are reported as separate financial assets and financial liabilities in the statement of financial position.

The transactions are subject to ISDA (International Swaps and Derivatives Association) Master Netting Agreements which provide a legally enforceable right of in the normal course of business, the event of a default and the event of insolvency or bankruptcy.

Amounts subject to enforceable netting arrangements					
	Gross fair value	Variation margin offset	Fair value Offset	Net derivative financial asset/(liability) (Note 14)	Other ash balances
2020	£'000	£'000	£'000	£'000	£'000
Derivative financial assets	76,898,129	-	(22,253,648)	54,644,481	4,025,094
Derivative financial liabilities	(57,578,166)	17,733,747	22,253,648	(17,590,772)	-

Amounts subject to enforceable netting arrangements					
	Gross fair value	Variation margin offset	Fair value Offset	Net derivative financial asset/(liability) (Note 14)	Other ash balances
2019	£'000	£'000	£'000	£'000	£'000
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)	-

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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

16. Fair value (continued)

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 2020	31 December 2019
	£	£
Current:		
Trade receivables (derivative financial assets – note 14)	54,644,481	42,539,325
Financial assets at amortised cost	11,804,158	-
Other receivables	2,197,873	1,043,685
Amounts owed by subsidiary undertakings	1,011,640	1,004,136
Prepayments	1,292,546	471,497
	70,950,698	45,058,643
Non-current:		
Financial assets at amortised cost	5,832,246	-
	5,832,246	-
Total Trade and other receivables	76,782,944	45,058,643

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

At 31 December 2020 and 31 December 2019, the receivables are shown net of the Credit Value Adjustment.

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 2020	31 December 2019
	£	£
Cash and cash equivalents	82,971,922	73,960,328
Variation margin called by counterparties (note 15c)	17,733,747	1,126,930
Other cash balances	4,025,094	3,866,514
Total cash	104,730,763	78,953,772

Notes to the financial statements (continued)

For the year ended 31 December 2020

18. Cash (continued)

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

	31 December 2020 £	31 December 2019 £
British Pound	52,276,380	40,818,028
Euro	43,123,833	16,273,123
US Dollar	5,871,853	15,273,194
Australian Dollar	894,039	2,076,032
Canadian Dollar	644,095	383,837
Other currencies	1,920,563	4,129,558
	104,730,763	78,953,772

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.

19. Capital and reserves**Share capital**

	As at 31 December 2020		As at 31 December 2019	
	No.	£	No.	£
Authorised and allotted				
Ordinary shares of £1 each	17,996	17,996	17,996	17,996
B Ordinary shares of £1 each	1,012	1,012	1,012	1,012
C Ordinary shares of £1 each	827	827	841	841
D Ordinary shares of £0.01 each	79,000	790	82,000	820
D1 Ordinary shares of £0.01 each	13,500	135	10,000	100
D2 Ordinary shares of £0.01 each	6,500	65	8,000	80
E Ordinary shares of £1 each	882	882	-	-
	119,717	21,707	119,849	20,849

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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

19. Capital and reserves (continued)

On 20 November 2019, a new class of shares ("D Shares") in Alpha FX Limited was created for certain individuals employed in Alpha Platform 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.

On 20 April 2020, the Company issued 3,000 'D2' ordinary shares.

On 4 June 2020, a new class of shares ("E shares") in Alpha FX Limited was created, under which 882 E ordinary shares were issued to selected employees. The E Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Alpha FX Group plc. The E Shares will vest in four equal tranches, occurring annually, starting on 31 December 2021 until 31 December 2024. Vesting will require Alpha FX Group plc revenue growth of 25% in 2021, 20% in 2022, 20% in 2023 and 20% in 2024.

On 27 August, the Company issued 3,500 'D1' ordinary shares and 1,500 'D2' ordinary shares.

During the year ended 31 December 2020 the Company cancelled 14 'C' ordinary shares, 3,000 'D' ordinary shares and 6,000 'D2' ordinary shares.

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.

During the year, the Company issued 3,500 'D1' ordinary shares and 4,500 'D2' ordinary shares at a subscription price of £156,950. The share premium amount of £156,871 on the D1 and D2 shares represents the difference between the subscription price and the nominal value of the shares.

On 4 June 2020, the Company issued 883 'E' ordinary shares at a subscription price of £935,962. The share premium amount of £935,080 on the E shares represents the difference between the subscription price and the nominal value of the shares.

During the year there was a deduction to the share premium of £61,994 in respect of the shares cancelled during the year.

Capital contribution reserve

The capital contribution reserve increased in 2020 by £358,327 as a result of the share-based payment charge (2019: £359,249).

Capital redemption reserve

The capital redemption reserve increased in 2020 by £62,068 (2019: £nil) as a result of the Company cancelling 14 'C' ordinary shares, and 6,000 'D2' ordinary shares.

Notes to the financial statements (continued)

For the year ended 31 December 2020

19. Capital and reserves (continued)***Retained earnings***

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

20. Trade and other payables

	31 December 2020 £	31 December 2019 £
Trade payables (Derivative financial liability – note 14)	17,590,772	22,281,591
Other payables	53,254,467	42,953,600
Other taxation and social security	816,204	984,930
Amounts due from Group undertakings	59,416,551	37,060,738
Lease Liability (note 12)	292,768	292,768
Accruals and deferred income	1,650,140	1,162,749
	133,020,902	104,736,376

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.

21. Provisions

	31 December 2020 £	31 December 2019 £
At 1 January	95,603	199,063
Increase in provision	-	103,501
Utilised in year	(95,603)	(206,961)
At 31 December	-	95,603
Analysis:		
Current	-	95,603
Non-current	-	-
	-	95,603

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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

22. Related party transactions

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

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.

Loans with key management personnel:

As at 31 December 2020 there was a loan balance outstanding with A J Hall, a Director of Alpha FX Institutional Limited, amounting to £63,650 (2019: £63,725) in respect of shares that were issued partly paid.

Transactions with key management personnel:

During the year, Alpha FX Limited traded gross foreign currency contracts with; M J Tillbrook £4,437,675 (2019: £32,689) and M E Stuart £93,814 (2019: £nil).

One of the contracts for M J Tillbrook was open at the year end, with an outstanding balance on the forward book of £16,494.

One of the contracts for M J Tillbrook was open at the year end, with an outstanding balance on the forward book of £16,494.

Other entities

During the year the Company purchased goods and services totalling £209,197 on an arms-length basis from Alphaware Group Limited, a multi cloud and cyber security specialist in which M J Tillbrook has a 40% beneficial ownership.

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 B 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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Share-based payments (continued)

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.

In March 2020, 303 B Growth Shares were exercised in respect of the year ended 31 December 2019 and 535,300 shares in Alpha FX Group plc were due to be issued as consideration in March 2020. However, due to the impact of COVID, the issue of these shares has been deferred to March 2021.

Based on share price of the Company of 1300p at 31 December 2020, it is estimated upon exercise of the put options in respect of the year ended 31 December 2020, the Company will issue 686,835 shares in March 2022.

The share-based payment charge of the B Growth Shares in the year ended 31 December 2020 was £nil (2019: £54,134).

C Growth Share Scheme

In October 2018 a C Growth Share Scheme was adopted, under which 863 C Ordinary shares in Alpha FX Limited were issued to full-time employees of the Company. The C Shares confer no upfront economic rights to their holders and in particular holders of the C Shares are not entitled to receive dividends, receive notice of, attend, speak or vote at general meetings of the Company and are not entitled rights to participate in any distributions upon a liquidation or capital reduction of the Company.

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

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.

During the year the terms of the C Share Growth Scheme have been amended such that the remaining C Shares will vest in three tranches, occurring annually, starting on 31 December 2021 until 31 December 2023. The C Share Growth Scheme now also includes a requirement for Group revenue to grow 25% in 2021, 20% in 2022 and 20% in 2023 in order for vesting to occur.

The gain that a C Shareholder can receive is capped at a ceiling on the maximum market capitalisation of Alpha of £650m. As a result, the C Shareholders will be entitled to a pro rata share of the gain in market capitalisation of Alpha between the hurdle price at the time of allotment and the market capitalisation ceiling of £650m. A participant may still choose to roll each tranche of C Shares into the next year provided that no rollover is permitted after the final vesting date.

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Share based payments (continued)

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 Group), the Company is entitled to buy back the relevant C Shares at cost.

In March 2020, 259 C Growth Shares were exercised in respect of the year ended 31 December 2019 and 287,573 shares in Alpha FX Group plc were due to be issued as consideration in March 2020. However, due to the impact of COVID, the issue of these shares has been deferred to March 2021.

The share-based payment charge of the C Growth Shares in the year ended 31 December 2020 was £209,766 (2019: £305,115).

E share growth scheme

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

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

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

The share-based payment charge of the E Growth Shares in the year ended 31 December 2020 was £148,561 (2019: £nil).

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

	31 December 2020			31 December 2019	
	B Growth Share Scheme No.	C Growth Share scheme No.	E Growth Share scheme No.	B Growth Share Scheme No.	C Growth Share scheme No.
Outstanding at beginning of year	1,012	841	-	1,503	863
Granted in the year	-	-	882	-	-
Exercised in the year*	(303)	(259)	-	(352)	(4)
Forfeited in the year	-	(14)	-	(139)	(18)
Outstanding at end of year	709	568	882	1,012	841

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Share based payments (continued)

*Although the 303 B shares and 259 C shares were exercised in the year ended 31 December 2020, the shares will not be issued until March 2021.

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

Market performance conditions are reflected within the grant date fair value. The inputs used for fair valuing the awards granted during the year were as follows:

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

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.

During the year, 1,038 shares were issued by Alpha FX Group plc in respect of the early exercise for good leavers. At 31 December 2020 options were outstanding over 126,054 shares (31 December 2019 – 134,281 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 2020 was £51,095 (2019: £52,306).

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Share based payments (continued)

Alpha Platform Solutions (APS)

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

Alpha FX Limited was created, with 20.2% owned by management and selected employees as at 31 December 2020.

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 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 D shares into shares in Alpha FX Group plc, the APS Participants' holding of D Shares in Alpha FX Limited will commensurately decrease and Alpha Fx Group plc's holding will commensurately increase.

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.alphafx.co.uk/investors/financial-information/reports-and-accounts.

25. Events after the reporting period

Following the exercise of 303 B Growth Shares and 259 C growth shares in 2020 (see note 23), Alpha FX Group plc issued 822,873 shares in March 2021 as consideration.

Following the vesting of 351 B Growth Shares for the year ended 31 December 2020, Alpha FX Group plc will be issuing 648,921 shares in March 2022 as consideration.

As part of the SAYE scheme, Alpha FX Group plc issued shares to two former employees. 2,403 shares were issued on 23 March 2021 and 2,596 shares were issued on 19 April 2021.