5284142

ALPARI (UK) LIMITED

Report and accounts

for the year ended

31 December 2007

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ALPARI (UK) LIMITED

DIRECTORS AND ADVISERS

Directors	A Vedikhin S Chattopadhyay
Secretary	C Brown
Registered office	41 Eastcheap London EC3M 1DT
Company's registered number	5284142
Auditors	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
Accountants and tax advisors	Sherwoods Chartered Accountants 30 Addiscombe Grove Croydon Surrey CR9 5AY

ALPARI (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 2007.

Activities

The principal activity of the company is providing a web based currency trading platform for clients The company is authorised and regulated by the Financial Services Authority

Review of business

The profit on ordinary activities before taxation and distributions was £338,170 (2006 loss of £514,703)

During the year the company made further progress on improving the necessary infrastructure for a fully operational internet based currency trading firm Alpari (UK) has set up another data centre location to increase resilience and at the same time act as a failover site Bandwidth has been considerably increased enabling customers easier connection to our trading environment With increased headcount and fully trained staff the IT department is now operational during our trading hours, providing full IT support to the firm and customers The firm's trading servers have been executing trades for clients since November 2006 Excluding scheduled maintenance, Alpari (UK) has been able to provide customers with an uninterrupted stable trading platform There has been no down time to date

2007 was a year of change in UK Compliance The year saw the introduction of MiFID – the Markets in Financial Instruments Directive The aims are to set out basic high-level provisions governing the organisational and conduct of business requirements for firms and also to harmonise conditions governing the operation of regulated markets Amendments to UK legislation and rules came into effect largely as FSA COBS rules, which had a great impact on Client Classification and on FSA registration for staff

The implementation of ICAAP, which measures Risk, e g Operational Risk and its effect on Capital, was also a notable project during the year Additionally, new Anti Money Laundering Rules were issued

Total headcount for the firm stood at 15 at the end of the year, with fully operational trading desk, back office, IT, customer services, accounts and compliance

Having acquired our first client in Q4 2006, we had a reasonably quiet first quarter 2007 From April we began actively trading and since have seen a substantially increase in client accounts opened, customers trading and Alpari (UK) trading volumes During this period we had also undertaken the laborious task of changing Prime Broker, which will be completed at the beginning of 2008

We expect clients, volumes and profits to continue rising throughout the following 12 months In addition the firm is looking to add further products relevant to our customer requirements, including precious metals and equity/futures CFDs The number of liquidity providers to the firm is being increased to offer improved pricing and liquidity to clients

Financial risk management

The company's operations are such that it has a limited exposure to a variety of financial risks These may, from time to time, include the effects of changes in price risk, credit risk, liquidity risk and a foreign exchange risk The company does not use derivative financial instruments to manage interest rate risks and as such, no hedge accounting is applied

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The company's management implements the policies set by the board of directors

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of goods and services The company has no exposure to equity securities price risk, as it holds no listed or other equity investments

Credit risk

The company has implemented policies that require appropriate checks on potential customers before trading At present all customers deposit funds with Alpari (UK) Limited before trading and are not permitted to incur losses greater than the amount of their initial deposit. Therefore credit risk with the customers is nil All customers are intermediate or market counterparties as classified by the FSA.

Alpari (UK) Limited's deposited funds are with 4 FSA regulated market counterparties for settlement and banking purposes

Interest rate risk

The firm has borrowings which are currently not subject to any interest rate risk as the loans are interest free The loans will continue to rollover until a repayment date is agreed between the directors of the lender and directors of Alpari (UK) Limited The firm earns interest from all deposits that it has from both its own clearing bank or execution brokers. The firm has no overdraft facility

Liquidity risk

The company's solvency is monitored and assured within the framework and regulations set out by the Financial Services Authority

Foreign Exchange risk

The firms own deposits are exposed to currency fluctuations The firm translates deposited amounts at the prevailing spot rates and does not use forward or future contracts to hedge foreign exchange risk

Financial risk management objectives and policies are discussed in further detail in note 22 of the financial statements

ALPARI (UK) LIMITED

DIRECTORS' REPORT (continued)

Directors

The directors of the company who served during the period are shown below

S Chattopadhyay
A Vedikhin

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware, and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985

Approved by the board of directors
and signed on its behalf

S Chattopadhyay
Director

ALPARI (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those accounts, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts,
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position for the company and to enable them to ensure that the accounts comply with the Companies Act 1985 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

Nexia Smith & Williamson

Independent auditor's report to the shareholders of Alpari (UK) Limited

We have audited the accounts of Alpari (UK) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22 These accounts have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts

Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

Date 28 March 2008

ALPARI (UK) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	Notes	2007	13 months ended 31 December 2006 (restated)
		£	£
Turnover	1	1,522,999	1,325
Administration expenses		(1,236,431)	(522,590)
Other operating income		-	22,175
Operating profit/(loss)	4	286,568	(499,090)
Amortisation of fair value adjustments to loans received		(81,459)	(30,204)
Interest receivable and similar income	6	133,061	14,591
Profit/(loss) on ordinary activities before taxation		338,170	(514,703)
Tax on profit on ordinary activities	7	-	-
Profit/(loss) for the financial period		338,170	(514,703)

All of the company's operations are classed as continuing There were no recognised gains or losses in either period other than the profit/(losses) for the period

ALPARI (UK) LIMITED

BALANCE SHEET as at 31 DECEMBER 2007

	Notes	2007 £	2006 (restated) £
Fixed assets			
Tangible assets	8	46,412	80,863
Current assets			
Debtors	9	8,728,212	900,927
Cash at bank		1,705,310	431,389
		10,433,522	1,332,316
Creditors			
Amounts falling due within one year	10	(8,128,952)	(35,335)
Net current assets		2,304,570	1,296,981
Total assets less current liabilities		2,350,982	1,377,844
Creditors			
Amounts falling due after more than one year	11	(572,772)	(466,431)
Net assets		1,778,210	911,413
Capital and reserves			
Called up share capital	14	1,708,514	1,206,084
Profit and loss account	15	(229,787)	(567,957)
Equity element of compound financial instruments	12	299,483	273,286
Equity shareholders' funds	16	1,778,210	911,413

The accounts were approved by the Board of Directors on 28/03/08 and were signed on its behalf by

S Chattopadhyay

S Chattopadhyay
Director

ALPARI (UK) LIMITED

CASH FLOW STATEMENT for the year ended 31 December 2007

	Notes	2007 £	13 months ended 31 December 2006 £
Net cash inflow/(outflow) from operating activities	17	594,480	(1,268,200)
Returns on investments			
Interest received		119,136	8,735
Capital expenditure			
Purchase of tangible fixed assets		(9,203)	(115,287)
Net cash inflow/(outflow) before financing		704,413	(1,374,752)
Financing			
Loans received		97,078	600,059
Loans repaid		(30,000)	-
Share issue		502,430	1,206,082
Net cash inflow from financing		569,508	1,806,141
Increase in cash in the period	19	1,273,921	431,389

NOTES TO THE ACCOUNTS for the year ended 31 December 2007

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, apart from valuation of financial instruments as stated below, and in accordance with applicable accounting standards

Turnover

Turnover represents the difference between the bid and offer price arising on currency transactions with clients and is recognised on a trade date basis

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life, with a full year's depreciation in the year of acquisition

Fixtures and fittings	-	25% reducing balance
Computer equipment	-	Straight line over 3 years

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the date of the transaction Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date Exchange variances arising from the above treatment are taken to the profit and loss account in the year in which they arise

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain Any assets and liabilities recognised have not been discounted

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument

Trade debtors and trade creditors are classified by the company as financial instruments at fair value with changes going through profit and loss account Substantially all trading profits and losses of the company are derived from financial assets and liabilities measured at fair value through the profit and loss account

Other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost which equates to nominal value

1. **Accounting policies (continued)**

Financial instruments (continued)

Other payables including loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method In arriving at the effective interest rate, management considered interest rates which would be available for equivalent bank loans for similar types of businesses As result the directors believed that 15% will be appropriate for valuation of the creditors

Amortised costs of assets and liabilities shown at their amortised costs are equal to their fair values

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs Finance costs are accounted for on an accruals basis in the income statement using the effective interest method

Prior year adjustment

The directors have revised the company's status in respect of valuation of financial instruments and as result retrospectively adopted provisions of FRS 25 "Financial instruments – presentation" That necessitated restatement of some comparative information in these financial statements as follows

	2006			
	Balance Sheet		Profit and Loss account	Opening Capital and Reserves
	Liabilities	Equity		
	£	£	£	£
Equity element of compound financial liabilities	(273,286)	273,286	-	-
Amortisation of fair value adjustment to financial liabilities	31,045	-	30,204	841
	(242,241)	273,286	30,204	841

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

2 Staff costs

The staff costs for the period, including directors, were

	2007 £	2006 £
Wages and salaries	549,860	211,814
Social security costs	62,218	19,775
	612,078	231,589

The average monthly number of employees, including directors, during the period was

	No.	No.
Trading	4	5
Front office	10	5
	14	10

3 Directors' emoluments

	£	£
Directors' emoluments and other benefits	84,450	33,777

4 Operating profit/(loss)

The operating profit/(loss) is stated after charging

	2007 £	2006 (restated) £
Operating leases	133,466	97,856
Depreciation	43,654	41,090
Loss on foreign exchange transactions	110,956	19,995
Auditor's remuneration (note 5)	28,650	35,175

Other operating income in 2006 relates to amounts written off in respect of creditor balances due to Alpari Moscow, a related party

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

		2007	2006
5	**Auditor's remuneration**	**£**	**£**
	Fees payable to the auditors for the audit of the annual accounts	19,000	10,000
	Fees payable to the company's auditors and its associates for other services		
	Other services supplied pursuant to such legislation	6,900	11,020
	Other services relating to taxation	-	2,360
	All other services	2,750	11,795
		28,650	35,175

6	**Interest receivable**	**£**	**£**
	Deposit account interest	132,911	14,341

		2007	2006 (restated)
7	**Taxation**	**£**	**£**
(a)	UK corporation tax at 30% (2006 19%)	-	-
		-	-
(b)	Factors affecting tax charge for period		
	Profit/(loss) on ordinary activities before tax	338,170	(514,703)
	Prior periods adjustment	-	(841)
	Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 30%)	101,451	(154,663)
	Effects of		
	Tax losses brought forward	(153,815)	(7,227)
	Expenses not deductible for tax purposes	695	1,191
	Capital allowances for period in excess of depreciation	(6,762)	(3,449)
	Amortisation of fair value adjustments not deductible	24,438	10,333
	Tax losses carried forward	(33,993)	(153,815)
	Current tax charge for period	-	-

The 2006 figures have been restated using an effective tax rate of 30% as opposed to 19% The company has a deferred tax asset of £33,993 (2006 £153,815) principally in respect of trading losses This amount has not been recognised in the accounts as the directors believe the recognition to be more appropriate in future periods

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

8 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2007	8,061	117,225	125,286
Additions	-	9,203	9,203
At 31 December 2007	8,061	126,428	134,489
Depreciation			
At 1 January 2006	2,015	42,408	44,423
Charge for the period	1,511	42,143	43,654
At 31 December 2007	3,526	84,551	88,077
Net book value			
At 31 December 2007	4,535	41,877	46,412
At 31 December 2006	6,046	74,817	80,863

9 Debtors

	2007 £	2006 £
Trade debtors	4,821,734	-
Other debtors	3,758,359	846,522
Prepayments and deferred income	148,119	54,405
	8,728,212	900,927

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

10 **Creditors:** amounts falling due within one year

	2007	2006
	£	£
Trade creditors	8,090,168	-
Other creditors	4,714	11,087
Accruals and deferred income	34,070	24,248
	8,128,952	35,335

11 **Creditors:** amounts falling due after more than one year

	2007	2006 (restated)
	£	£
Long term loans (note 12)	540,274	423,433
Accruals and deferred income	32,498	42,998
	572,772	466,431

Accruals and deferred income due after more than one year represents the long term element of the rent free period accrual

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

12 Borrowings

	2007	2006 (restated)
	£	£
Falling due in more than one year:		
At par value		
Directors' loan	45,705	75,705
Washo Limited loan	280,257	280,257
Subordinated loan	403,388	306,310
	729,350	662,272
Equity component	(299,483)	(273,286)
Amortisation of fair value adjustments	110,407	34,447
At amortised cost	540,274	423,433

All loans are unsecured, interest free, repayable not earlier than the end of 2009 and provided as follows

Andrey Vedikhin, a director, paid part of the setup costs on behalf of Alpari (UK) Limited which was later converted into a loan Washo Limited, a related party by virtue of common directors, provided a long-term loan facility to the company by paying Alpari (UK) Limited's setup and running costs Andrey Dashin, a former director of the company, provided a loan while being a director Subordinated loans provided by the directors were approved by the Financial Services Authority (FSA)

In 2007 management retrospectively adopted provisions of FRS 25 ' Financial Instruments – Presentation" (see note 1) The directors were of the opinion that the long term loans which the company received from its related parties contained an equity element, and as result the liability component was calculated by discounting the relevant cash flows from the loans The remaining difference with the nominal value of the loans was included in equity as a separate reserve In deciding on the appropriate discount rate the directors considered interest rates for similar loans both in the UK and the country of origination of the lenders, and came to the conclusion that 15% would be appropriate for the calculations

13 Operating lease commitments

At the period end, the company was committed to make the following annual commitments in respect of operating leases which expire

	2007	2006
Land & buildings	£	£
Within 2 to 5 years	105,000	105,000

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

14	**Called up share capital**	**2007**	**2006**
		£	**£**
	Authorised		
	2,000,000 (2006 2,000,000) ordinary shares of £1 each	2,000,000	2,000,000
	Allotted, called up and fully paid	**£**	**£**
	Ordinary shares of £1 each	1,708,514	1,206,084

During the year, the company issue an additional 502,430 shares at par

15	**Reserves**	**Profit and loss account**	
		2007	**2006 (restated)**
		£	**£**
	At the beginning of the period	(567,957)	(52,413)
	Restatement due to application of FRS 25 (note 1)	-	(841)
	Retained profit/(loss) for the period	338,170	(514,703)
	At 31 December 2007	(229,787)	(567,957)

16	**Reconciliation of movements in equity shareholders' funds**	**2007**	**2006 (restated)**
		£	**£**
	Opening shareholders' funds	911,413	(52,411)
	Restatement due to application of FRS 25 (note 1)	-	(841)
	Equity element of compound financial instrument (note 1)	26,197	273,286
	Profit/(loss) for the period	338,170	(514,703)
	Shares issued in the period	502,430	1,206,082
	Closing shareholders' funds	1,778,210	911,413

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

17 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	2007 £	2006 (restated) £
Operating profit/(loss)	286,568	(499,090)
Depreciation	43,654	41,090
Increase in debtors	(7,827,285)	(891,385)
Increase in creditors	8,091,543	81,185
Net cash inflow/(outflow) from operating activities	594,480	(1,268,200)

18 Reconciliation of net cash flow to movement in net funds/(debt)

	2007 £	2006 (restated) £
Increase in cash	1,273,921	431,389
Cash inflow from increase in debt	(67,079)	(600,059)
Change in net funds resulting from cash flows	1,206,842	(168,670)
Change in net funds resulting from non cash flows		-
Opening net debt	(230,883)	(62,213)
Closing net funds/(debt)	975,959	(230,883)

19 Analysis of net funds/(debt)

	At 31 December 2006 £	Cash flow £	At 31 December 2007 £
Cash at bank	431,389	1,273,921	1,705,310
Debt due after 1 year	(662,272)	(67,079)	(729,351)
Total	(230,883)	1,206,842	975,959

20 Ultimate parent company

The company is a wholly owned subsidiary of Alpari (Cyprus) Limited, a company incorporated in Cyprus

21 Contingent liabilities

As at 31 December 2007, the company had no contingent liabilities (2006 nil)

22 Financial risk management

Currency Risk

Directors believe it to be essential to manage the currency exposure in the current volatile market to avoid significant losses Since the company is in the early years of business, there are currently no formal procedures and methods to manage the risk, however management is in process of formalising the process In the current scenario, the directors look at the exposures on the occurrence of special events

The concentration of the risk is with the company's exposure to USD The company's objective for keeping higher USD funds (assets) is to provide its trading platform with more funds as leverage for trading, and the company's prime brokers currently accepts collaterals only in USD The other factor that the directors consider is floating profit/loss

The company had the following currency exposure as at the balance sheet date

Currencies	Assets/ (overdrafts)	Liability	Net Exposure	Exch. Rate	Exposure Value in GBP
USD	$ 20,657,279	$ 9,847,778	$ 10,809,501	1 9832	£ 5,450,535
EUR	€ 1,002,276	€ 719,079	€ 283,197	0 7351	£ 208,178
CHF	SFr 197,652	SFr 159,590	SFr 38,062	2 2497	£ 16,919
JPY	(JPY 80,828,764)	JPY 18,417,300	(JPY 99,246,064)	221 64	(£ 447,780)
CAD	(CAD 725,630)	-	(CAD 725,630)	1 9648	(£ 369,314)
NZD	(NZD 47)	-	(NZD 47)	0 3859	(£ 18)
AUD	(AUD 21)	-	(AUD 21)	2 2619	(£ 9)
TOTAL					**£ 4,858,511**

The company has higher net assets in most currencies except JPY and CAD In 2008 the company is moving the prime broker services from UBS to one accepting a wider range of currencies

Exposure to foreign currency assets may affect the company's profit/loss At 31 December 2007, if GBP had strengthened by 10% against other currencies with all variables held constant, pre tax profit for the year would have been £485,851 lower; mainly as a result of foreign exchange gains on translation of other currencies dominated assets are higher than other currencies dominated liabilities The figure in question was calculated as the net exposure shown in the table above multiplied by the relevant percentage

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

22 Financial risk management (continued)

The company's sensitivity analysis to currency risk is as follows

Currencies	Exch Rate 5%	In GBP 5%	Exch Rate 10%	In GBP 10%	Exch Rate 15%	In GBP 15%
USD	USD 540,475	£ 272,527	USD 1,080,950	£ 545,054	USD 1,621,425	£ 817,580
EUR	EUR 14,160	£ 10,409	EUR 28,320	£ 20,818	EUR 42,479	£ 31,227
CHF	SFr 1,903	£ 846	SFr 3,806	£ 1,692	SFr 5,709	£ 2,537
JPY	JPY 4,962,303	(£ 22,389)	JPY 9,924,606	(£ 44,778)	JPY 14,886,910	(£ 67,167)
CAD	CAD 36,281	(£ 18,466)	CAD 72,563	(£ 36,932)	CAD 108,844	(£ 55,398)
NZD	NZD 2	(£ 1)	NZD 5	(£ 2)	NZD 7	(£ 3)
AUD	AUD 1	-	AUD 2	(£ 1)	AUD 3	(£ 1)
TOTAL		**£ 242,926**		**£ 485,851**		**£ 728,775**

Due to a significant change in the volume of the company's operations during the year, the directors believe the costs of presenting the relevant comparative information to overweight the benefits As result no analysis of 2006 exposure is presented in these financial statements

Interest Rate Risk

The company has no interest bearing liabilities The interest bearing assets are held in bank and financial institutions all of which are reputable The risk exposure above is calculated on closing balances on bank accounts and market deposits at different basic points to measure sensitivity

	2007 Closing Balance	50 bpp	75 bpp	100 bpp
Bank Deposits	£ 1,705,311	£ 8,527	£ 12,790	£ 17,053
Market Deposits	£ 3,758,359	£ 20,615	£ 30,923	£ 41,230
TOTAL	**£ 5,463,670**	**£ 29,142**	**£ 43,713**	**£ 58,283**

Trade debtors of the company represent floating position debtors which are covered by the funds in their trading account At 31 December 2007, if all the market interest rates had been 100 bpp higher/lower with all other variables held constant, pre-tax profit for the year would have been £58,283 higher/lower, mainly as a result of higher/lower interest income on the deposits in various currencies

Due to a significant change in the volume of the company's operations during the year, the directors believe the costs of presenting the relevant comparative information to overweight the benefits As result no analysis of 2006 exposure is presented in these financial statements

Management does not believe interest rate risk to be a major risk area for the company due to insignificant exposure to the risk in the company's Balance Sheet and interest income being a minor contributor to total income of the company

22 Financial risk management (continued)

Liquidity Risk

Management does not believe liquidity risk to be material risk area for the company due to the nature of its operations and availability of significant highly liquid assets As a FSA regulated entity, the company is required to manage liquidity risk for regulatory purposes

The company's quick ratio is 1 65 thus providing sufficient coverage to the company's financial obligations including those of long term nature During the year the liquidity position was also maintained through issuing new shares, and management believes that shareholders of the company will offer additional support if required

The company has long term liabilities which are repayable not earlier than the end of 2009 The remaining contractual maturities of the liabilities as at 31 December 2007 are

	Up to 3 months	**3-12 months**	**1-2 years**
Trade creditors	£ 8,089,733	-	-
Sundry creditors	£ 28,720	-	-
Rent (annual payments of £ 105,000 over next 5 years)	£ 26,250	£ 78,750	£ 210,000
Loans	-	-	£ 729,350
TOTAL	£ 8,144,703	£ 78,750	£ 939,350

Due to a significant change in the volume of the company's operations during the year, the directors believe the costs of presenting the relevant comparative information to overweight the benefits As result no analysis of 2006 exposure is presented in these financial statements

Credit Risk

Management believes that the company has exposure to credit risk only in respect of its clients However the company exercises all deals for its clients through an automated system which will close client positions out automatically when the client's initial deposit requirement is eroded to 20% of the relevant requirement. In an unlikely event that the position is closed out outside these parameters, perhaps due to a leap in the market prices, and a debit is owed on the account that the client cannot or is unwilling to pay, the company will suffer a loss Management regards such event as extremely unlikely and expects profits generated from such volatility of the market at least to compensate for the small bad debt loss

Leverage offered to clients is based on the size of client deposits and trade Clients with higher leverage (500:1) are not allowed to take positions more than $20,000, which gives the company's total exposure to the risk of $980,000 The institutional clients are on a lower leverage (100 1)

Management believes that maximum exposure of the company to credit risk is equal to values shown in the Balance Sheet

22 **Financial risk management (continued)**

Other Market Risks and Concentration

The company currently has three banks and 3 prime brokers to keep its assets and facilitate operations – all approved financial institutions, and management is in the process of increasing the list further The company also designed its hedging and trading desk policy allowing management to monitor market risks The policy is reviewed by directors on a regular basis

Whilst the company has a large number of active accounts, the bulk of the trade is concentrated in hands of a few clients The overexposure is mitigated by diversification of trades and conditions offered to existing and potential clients

Management believes the forex market to be one of the biggest markets in the world, and a slump in the economy resulting in falling share prices, may well have a positive impact on the company's operations as investors seek further outlets to invest Certain cross rates may become less profitable for the company, but as the company offers a number of different cross rates it is unlikely that they all decrease their profitability in the same period However management is currently considering a move into spread betting and CFD trading, both of which are expected to increase the client base and diversify the company's income streams

Capital Management

The company believes its capital to be represented by issued share capital and loans to the extent of their contractual amounts as reflected in these financial statements

The company has pro-active approach to managing its capital with the directors monitoring financial resources on regular basis Capital of the company is reported to FSA on a monthly basis with the company being required to maintain the minimum capital of €730,000 which has always been met.

During the year new shares of worth £502,430 were issued to manage efficient financial resources Funds received from issue of shares are held with UBS as collateral to leverage the trade Other loans were utilised to manage operating expenses In the even of the capital falling down to 150%, the directors will replenish the capital through issuance of new shares or obtaining new loan facilities

Classification of financial assets and liabilities

The company classified its financial assets and liabilities as at 31 December 2007 as follows

	At Fair Value Through Profit and Loss	At amortized cost	Total carrying value
Assets			
Trade debtors	4,821,734	-	4,821,734
Other debtors	-	3,758,359	3,758,359
Prepayments and deferred income	-	148,119	148,119
TOTAL	4,821,734	3,906,478	8,728,212

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

22 Financial risk management (continued)

Classification of financial assets and liabilities (continued)

	At Fair Value Through Profit and Loss	At amortized cost	Total carrying value
Liabilities			
Trade creditors	8,090,168	-	8,090,168
Sundry creditors	-	71,282	71,282
Long term loans	-	540,274	540,274
TOTAL	8,090,168	611,556	8,701,724

ALPARI (UK) LIMITED

Detailed Profit & Loss
Account for the year ended

31 DECEMBER 2007

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	2007 £	2006 (restated) £
Turnover		
Trading book profit & loss	(2,661,319)	(3,407)
Clients' profit & loss	4,184,318	4,732
	1,522,999	1,325
Other income		
Miscellaneous income	150	250
Deposit account interest	132,911	14,341
Gross profit	1,656,060	15,916
Administrative expenses		
Rent	108,285	97,856
Service charges	30,690	15,747
Rates and water	35,991	25,883
Insurance	9,281	1,773
Directors' salaries	84,450	33,777
Wages	465,410	178,037
Social security	62,218	19,775
Telecommunication & internet	10,759	4,120
Post & stationary	1,349	4,258
Subsistence	2,587	1,867
Travelling	1,618	3,569
Repairs & maintenance	2,890	3,582
Household & cleaning	2,073	302
Computer consumable	5,613	1,791
Training costs	1,934	853
Datacentre services	21,917	12,930
Sundry expenses	4,729	981
Accountancy	42,555	17,517
Legal fees	18,604	986
Professional fees	7,253	2,500
Advertising	35,645	-
Information system sub	39,361	4,966
Other subscription	20,209	3,787
Depreciation of tangible fixed assets		
- Fixtures & fittings	1,511	2,015
- Computer equipment	42,143	39,075
Refreshment	1,299	261
Entertainment	2,465	2,008
	1,062,839	480,216

Finance costs

Bank charges	34,054	204
Bank Interest payable	28,582	-
Exchange rate variance	110,956	19,995
Profit/(loss) on ordinary activities before fair value adjustments and taxation	419,629	(484,499)

These pages do not form part of the statutory financial statements