5284142

ALPARI (UK) LIMITED

Report and accounts

for the year ended

31 December 2008

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ALPARI (UK) LIMITED

DIRECTORS AND ADVISERS

Directors	A Vedikhin S Chattopadhyay D Stuart (appointed 10 February 2009)
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 2008.

Activities

The principal activity of the Company continued to be the provision of online currency trading.

In 2008, Alpari (UK) delivered it's trading services to individual traders, money managers and institutional clients worldwide, by providing innovative proprietary technology, low cost trading, safety of clients' funds, comprehensive market research tools and multilingual customer services.

The Company is authorised and regulated by the Financial Services Authority.

Review of Business

During 2008, Alpari (UK) expanded its senior marketing team to drive global growth, promote innovation and develop new services. The Marketing Department has been a key factor behind the Company's global growth by defining its strategic marketing, product marketing, advertising, public relations, intelligence and lead generation initiatives for worldwide operations.

The Company expanded the employee base by 185% , by the end of the year, to support the expected rapid growth of new clients. Accordingly, the Company's administrative expenses increased by 127%; this was primarily due to the increase in staff expenses and an increase in marketing costs.

In the fourth quarter of 2008, the Company launched a successful global online marketing campaign aimed at introducing innovative services to new currency investors and reinforcing the Alpari brand among existing clients. In the first phase of the campaign, Alpari (UK) placed banner ads on more than two dozen of the most popular Forex websites, which reach an average of over 450,000 unique Forex traders on a daily basis. In the second phase, the Company targeted some of the most well-known and popular personal finance sites achieving over 15 million impressions.

As a direct result, the profit on ordinary activities before taxation and distributions increased to £11,449,915 (2007: £338,170), an increase of 3,286%.

The substantial increase is also due to the financial events of 2008. In spite of the deteriorating financial climate, market volatility created trading opportunities for currency investors which in turn generated additional trading revenues for the Company. In October 2008, Alpari (UK) posted a record monthly trading volume in excess of £18.66 billion (USD 30.6 billion), spurred by an increase of 897% in customer accounts which includes individual traders, money managers and institutional clients worldwide, excluding the USA and British Columbia.

To further extend its global reach and adding to its presence in the UK the Company opened a Representative Office in China and established a strategic business partnership with Alpari Emirates in Dubai.

ALPARI (UK) LIMITED

DIRECTORS' REPORT (continued)

Review of business (continued)

On an individual regional basis, the Company's customer growth rates during the year broke down as follows:

Europe	440%
India	678%
Middle East	373%
Africa	846%
Japan	1,844%
China	9,871%

During 2008 Alpari (UK) made further progress on improving the necessary infrastructure for a fully operational online currency trading firm. The Company has set up its third data centre to increase resilience and at the same time act as an additional failover site. Bandwidth has been considerably increased enabling clients easier connection to our trading environment.

The major compliance challenges of 2008 were the continued implementation of MIFID requirements, introduced in the last quarter of 2007 and completion of internal policies to ensure that the firm is compliant with the FSA's principals on Treating Customers Fairly (TCF). Alpari (UK) is committed to its objective of TCF and will continue to analyse and monitor the business to maintain the highest possible standards.

Future Developments

In 2009, Alpari (UK) will enlarge its global footprint, improve sales operations, reinforce its competitive marketing, trading terms and technological strength, whilst simultaneously securing strategic partnerships, in order to address new markets with innovative proprietary and best-of-breed solutions.

This will represent an important managerial step to accelerate the Company's realisation of its objective: 'To become the leading worldwide Foreign Exchange broker in terms of volume and number of accounts within two years, a global player by offering a large variety of financial instruments as well as comprehensive money management services.'

With the aim of expanding its global footprint, Alpari (UK) will establish operations in other major financial centres worldwide. The Company expects to have a global framework in place within the next 12 months.

Alpari (UK) will integrate its marketing and sales operations into an effective 'hub' connecting overseas representative offices and subsidiaries with UK Headquarters. This international framework will expand operations through efficient response to international customer needs and delivery of the Company's innovative mix of online currency trading solutions.

To complement the Company's continued investments in proprietary institutional-level technology, Alpari (UK) will secure partnerships and strategic alliances with world class providers.

Future Developments (continued)

In 2009, Alpari (UK) plans to deliver more sophistication for its retail clients. Whilst constantly monitoring advances in the internet currency trading market, the Company's strategy is to enhance its platform with additional functionalities and complement the Company's adoption of the prime brokerage model. Alpari (UK) plans to double the number of its liquidity providers in 2009. With a combination of new in-house developed Straight-Through Processing and Non Dealing Desk execution technology, a large range of products, and stable high quality price feeds from the largest financial institutions, Alpari (UK) will be able to pass on the efficiencies and low cost execution usually reserved for banks and corporations to all its clients.

The Company is considering increasing its product range in line with client requirements. These include precious metals and CFDs.

Alpari (UK) will also launch Percentage Allocation Money Management (PAMM) and Lot Allocation Money Management (LAMM) in order to allow money managers to trade multiple client accounts more efficiently.

There are a number of other innovations on the way from Alpari (UK) in 2009, starting with the launch of its new web presence at Alpari.co.uk. Main improvements will include a significantly updated layout and design as well as two entirely new sections providing impartial and comprehensive Forex education as well as institutional-level trading tools.

Alpari (UK)'s educational program targeting clients and prospects will be a two-pronged offering: comprehensive video tutorials and webinars, which will be freely available for the whole online trading community. This online material will be supplemented by traditional, institutional-level seminars hosted by a global trading facilitation company authorised and regulated by the Financial Services Authority.

Alpari (UK) will also introduce free institutional-level investment research to all its clients as well as the whole online trading community. The offering will be an integral part of the Company's new website and will be delivered in cooperation with an award winning financial analyst whose clients include most of the top 50 investment banks.

The Company will also launch a fully automated portfolio trading solution that executes signals and strategies from third party signal providers via an Alpari (UK) trading account.

Alpari (UK) will implement these strategies with the intention of raising the level of expertise amongst retail clients, while simultaneously familiarising them with the Company's product offering. All of these services will be available in several languages to suit the Company's global ambitions.

There are also plans for a white-labelled offering of Alpari's Straight-Through Processing enabled platform to banks and SMEs.

During 2009, the Compliance department will be focused on providing dedicated training and advice to all Alpari staff thus protecting the business from regulatory risks and ensuring that high standards are maintained. Additionally all our compliance related documents will be reviewed and updated to meet the growing needs of the business.

Key performance indicators (KPIs)

Management use the following KPIs to monitor the performance of the Company:

To measure financial performance:

	2008	2007	Increase
	£	£	
Profit before tax:	11,449,915	338,170	3,286%

To measure growth:

	2008	2007	Increase
Number of accounts	23,027	2,309	897%

Post balance sheet events

After the year end the Company registered an office in India, as a subsidiary of the Company. The Company invested an amount totalling £356,170.

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 foreign exchange risk. The Company does not use financial derivatives to manage financial risk thus 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 an element of price risk due to normal inflationary increases in the purchase price of goods and services. The Company has no exposure to equity price fluctuations as it holds no listed or any other equity investments.

Credit risk

The Company has implemented policies that require appropriate checks on potential clients before trading. At present, all clients deposit funds with Alpari (UK) Limited before trading and are not permitted to incur losses greater than the amount of their initial deposit. However, the Company exercises all deals for its clients through an automated system which will automatically close client positions if the client's equity is reduced to 20% of the margin requirement. In the unlikely event that a position is closed outside of these parameters, perhaps due to a sudden and rapid change in the market price leading to a debit being owed on the account which the client cannot repay, the Company will suffer a loss. The financial impact of this loss is not considered material by the Directors.

Alpari (UK)'s company and client funds are held with four FSA regulated market counterparties for settlement and banking purposes.

Financial risk management (continued)

Interest rate risk

The Company earns interest from all deposits held at 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 Company's own deposits are exposed to currency fluctuations. The Company converts deposited amounts at prevailing spot rates and does not use forward or futures contracts to hedge foreign exchange risk.

Financial risk management objectives and policies are discussed in further detail in note 25 of the financial statements.

Directors

The directors of the company who served during the year are shown below:

S Chattopadhyay
A Vedikhin

On 10 February 2009, D Stuart was appointed as a director.

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

Chattopadhyay

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 auditors' report to the shareholders of Alpari (UK) Limited

We have audited the accounts of Alpari (UK) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 27. 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 2008 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 19 March 2009

ALPARI (UK) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	Notes	2008	2007
		£	£
Turnover	1	14,220,429	1,522,999
Administration expenses		(2,804,501)	(1,236,431)
Other operating income		329	-
Operating profit	4	11,416,257	286,568
Amortisation of fair value adjustments to loans received		(163,847)	(81,459)
Interest receivable and similar income	6	197,505	133,061
Profit on ordinary activities before taxation		11,449,915	338,170
Tax on profit on ordinary activities	7	(3,278,277)	-
Profit for the financial year		8,171,638	338,170

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

ALPARI (UK) LIMITED

BALANCE SHEET as at 31 DECEMBER 2008

	Notes	2008	2007
		£	£
Fixed assets			
Tangible assets	8	128,126	46,412
Current assets			
Debtors	9	15,575,498	8,728,212
Cash at bank		14,568,617	1,705,310
		30,144,115	10,433,522
Creditors			
Amounts falling due within one year	10	(18,733,393)	(8,128,952)
Net current assets		11,410,722	2,304,570
Total assets less current liabilities		11,538,848	2,350,982
Creditors			
Amounts falling due after more than one year	11	-	(572,772)
Provisions	12	(69,000)	-
Net assets		11,469,848	1,778,210
Capital and reserves			
Called up share capital	16	3,228,514	1,708,514
Profit and loss account	17	7,941,851	(229,787)
Equity element of compound financial instruments	13	299,483	299,483
Shareholders' funds	18	11,469,848	1,778,210

The accounts were approved by the Board of Directors on 19 March 2009 and were signed on its behalf by:

S Chattopadhyay
Director

ALPARI (UK) LIMITED

CASH FLOW STATEMENT for the year ended 31 December 2008

	Notes	2008 £	2007 £
Net cash inflow from operating activities	19	12,094,311	594,480
Returns on investments			
Interest received		199,272	119,136
Tax			
Tax paid		(39,873)	-
Capital expenditure			
Purchase of tangible fixed assets		(181,052)	(9,203)
Net cash inflow before financing		12,072,658	704,413
Financing			
Loans received		-	97,078
Loans repaid		(729,351)	(30,000)
Share issue proceeds		1,520,000	502,430
Net cash inflow from financing		790,649	569,508
Increase in cash in the year	21	12,863,307	1,273,921

NOTES TO THE ACCOUNTS for the year ended 31 December 2008

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.

Operating leases

Operating lease rentals are charged to the profit and loss on a straight-line basis over the term of the lease.

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.

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

1. **Accounting policies (continued)**

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.

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.

Assets and liabilities shown at their amortised costs are considered to be 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 profit and loss account using the effective interest method.

2. **Staff costs**

	2008 £	2007 £
The staff costs for the year, including directors, were:		
Wages and salaries	1,396,653	549,860
Social security costs	162,549	62,218
	1,559,202	612,078

2. Staff costs (continued)

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

	2008 No.	2007 No.
Trading	5	4
Front office	18	10
	23	14

3. Directors' emoluments

	£	£
All directors:		
Aggregate emoluments and other benefits	284,213	84,450
Highest paid director:		
Aggregate emoluments and benefits	236,213	49,000

4. Operating profit

	2008 £	2007 £
The operating profit is stated after charging:		
Operating leases	138,361	133,466
Depreciation	99,338	43,654
(Gain)/loss on foreign exchange transactions	(920,156)	110,956
Auditors' remuneration (note 5)	21,135	28,650

5. Auditors' remuneration

	2008 £	2007 £
Fees payable to the auditors for the audit of the annual accounts	16,000	19,000
Fees payable to the company's auditors and its associates for other services:		
Other services supplied pursuant to such legislation	-	6,900
Other services relating to taxation	5,135	-
All other services	-	2,750
	21,135	28,650

ALPARI (UK) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

		2008 £	2007 £
6.	**Interest receivable**		
	Deposit account interest	197,505	133,061

7.	**Taxation**		
		£	£
(a)	UK corporation tax at 28% (2007: 30%)	3,278,277	-
		3,278,277	-
(b)	Factors affecting tax charge for period		
	Profit on ordinary activities before tax	11,449,915	338,170
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2007: 30%)	3,205,976	101,451
	Effects of:		
	Tax losses brought forward	(20,469)	(153,815)
	Expenses not deductible for tax purposes	-	695
	Capital allowances for period in excess of depreciation	13,593	6,762
	Effect of change in tax rate	33,017	-
	Amortisation of fair value adjustments not deductible	45,877	24,438
	Tax adjustment in respect of previous year	283	-
	Tax losses carried forward	-	20,469
	Current tax charge for period	3,278,277	-

As at 31 December 2007, a deferred tax asset of £20,469 arose principally in respect of trading losses. This was utilised in the current year.

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

8. **Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2008	8,061	126,428	134,489
Additions	11,473	169,579	181,052
At 31 December 2008	19,534	296,007	315,541
Depreciation			
At 1 January 2008	3,526	84,551	88,077
Charge for the year	4,002	95,336	99,338
At 31 December 2008	7,528	179,887	187,415
Net book value			
At 31 December 2008	12,006	116,120	128,126
At 31 December 2007	4,535	41,877	46,412

9. **Debtors**

	2008 £	2007 £
Trade debtors	1,915,301	4,821,734
Other debtors	13,001,181	3,758,359
Prepayments and deferred income	659,016	148,119
	15,575,498	8,728,212

Included within other debtors there are amounts held with Prime Brokers. The requirement is that the company deposits an amount sufficient to cover all open positions with the Prime Brokers. The company had no open positions as at the year end (2007: nil), however voluntarily kept significant deposits with the Prime Brokers.

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

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

	2008 £	2007 £
Trade creditors	15,212,168	8,090,168
Other creditors	9,765	4,714
Corporation tax	3,238,404	-
Accruals and deferred income	273,056	34,070
	18,733,393	8,128,952

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

	2008 £	2007 £
Long term loans (note 13)	-	540,274
Rent accruals	-	32,498
	-	572,772

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

12. **Provisions**

	Dilapidation costs £
At 1 January 2008	-
Charged to profit and loss account	69,000
At 31 December 2008	69,000

The above provision is for the cost of dilapidations estimated to be paid to the Landlord on termination of the lease at the current premises.

13. Borrowings

	2008	2007
	£	£
Falling due in more than one year:		
At par value:		
Directors' loan	-	45,705
Washo Limited loan	-	280,257
Subordinated loan	-	403,388
	-	729,350
Equity component	(299,483)	(299,483)
Amortisation of fair value adjustments		
At 1 January	110,407	-
Amortised during the year	163,847	110,407
Impact of foreign exchange rates	25,229	-
At 31 December	299,483	110,407
At amortised cost	-	540,574

All loans are unsecured, interest free 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).

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.

All loans were repaid before their actual maturity date during the year. Shares were issued at par for cash consideration as stated in note 16.

14. Operating Lease commitments

At the year end, the company was committed to make the following annual commitments in respect of operating leases for its current premises. The relevant lease contract expires 1 May 2009.

	2008	2007
Land & buildings	£	£
Within 1 year	47,562	-
Within 2 to 5 years	-	105,000
More than 5 years	1,292,625	-

See note 15 for details of the new lease.

15. Capital commitments

	£	£
Contracted but not provided	2,519,586	-

The company entered into an agreement for an operating lease of new office premises. A deposit to facilitate the contract and an amount to fit out the new premises have been included in the disclosure.

16. Called up share capital

	£	£
Authorised		
10,000,000 (2007: 2,000,000) ordinary shares of £1 each	10,000,000	2,000,000

Allotted, called up and fully paid	£	£
Ordinary shares at 1 January 2008 of £1 each	1,708,514	1,206,084
Issue of 1,520,000 (2007: 502,430) shares at £1 per share	1,520,000	502,430
	3,228,514	1,708,514

17. Reserves

	Profit and loss account	
	£	£
At 1 January	(229,787)	(567,957)
Retained profit for the year	8,171,638	338,170
At 31 December	7,941,851	(229,787)

ALPARI (UK) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

18. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Opening shareholders' funds	1,778,210	911,413
Equity element of compound financial instrument	-	26,197
Profit for the year	8,171,638	338,170
Shares issued in the year	1,520,000	502,430
Closing shareholders' funds	11,469,848	1,778,210

19. Reconciliation of operating profit to net cash inflow from operating activities

	£	£
Operating profit	11,416,257	286,568
Foreign exchange on loan	25,229	-
Depreciation	99,338	43,654
Increase in debtors	(6,849,053)	(7,827,285)
Increase in creditors	7,402,540	8,091,543
Net cash inflow from operating activities	12,094,311	594,480

20. Reconciliation of net cash flow to movement in net funds

	£	£
Increase in cash	12,863,307	1,273,921
Cash inflow from increase in debt	-	(67,079)
Cash outflow from decrease in debt	729,351	-
Change in net funds resulting from cash flows	13,592,658	1,206,842
Opening net funds/(debt)	975,959	(230,883)
Closing net funds	14,568,617	975,959

21. **Analysis of net funds/(debt)**

	At 31 December 2007 £	Cash flow £	At 31 December 2008 £
Cash at bank	1,705,310	12,863,307	14,568,617
Debt due after 1 year	(729,351)	729,351	-
Total	975,959	13,592,658	14,568,617

22. **Ultimate parent company and controlling party**

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

23. **Related party transactions**

During the year, a company under common directorship was a client of Alpari (UK) Limited for currency trades. The trade resulted in a loss of £413,802 (2007: nil). The balance due to the related party, included in trade creditors and payable in US dollars as at 31 December 2008, was £951,362 (2007: £398,346).

24. **Contingent liabilities**

As at 31 December 2008, the company had no contingent liabilities (2007: nil).

25. **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.

ALPARI (UK) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

25. **Financial risk management (continued)**

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 accept collaterals only in USD. The other factor that the directors consider is the profit/loss on the open positions.

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

As at 31 December 2008

Currencies	Assets/ (overdrafts)	Liability	Net Exposure	Exch. Rate	Exposure Value in GBP
USD	$22,219,740	($14,576,041)	$7,643,699	1.4577	5,243,671
EUR	€ 4,748,449	(€2,616,776)	€2,131,673	1.045205	2,039,479
CHF	CHF 747,071	(CHF 314,715)	CHF432,357	1.55815	277,481
JPY	JPY 20,812,496	(JPY 41,686,519)	(JPY 20,874,023)	132.355	(157,712)
CAD	-	-	-	-	-
NZD	-	-	-	-	-
AUD	-	-	-	-	-
TOTAL					**7,402,919**

As at 31 December 2007

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**

Exposure to foreign currency assets may affect the company's profit/loss. At 31 December 2008, if GBP had strengthened by 10% against other currencies with all variables held constant, pre tax profit for the year would have been £740,291 (2007: £485,851) lower; mainly as a result of foreign exchange gains on translation of currency dominated assets are higher than currency dominated liabilities. This has been estimated as the net exposure shown in the table above multiplied by the relevant percentage.

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

25. 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	$382,185	262,186	$764,371	524,367	$1,146,555	786,551
EUR	€106,584	101,974	€213,167	203,947	€319,751	305,922
CHF	CHF 21,618	13,874	CHF 42,236	27,748	CHF 64,854	41,622
JPY	(JPY 1,043,701)	(7,886)	(JPY 2,087,402)	(15,771)	(JPY 3,131,103)	(23,657)
CAD	-	-	-	-		
NZD	-	-	-	-		
AUD	-	-	-	-		
TOTAL		**370,148**		**740,291**		**1,110,438**

As at 31 December 2007

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**

Interest Rate Risk

The company has no interest bearing liabilities. The interest bearing assets are held in banks and financial institutions all of which are reputable. The risk exposure below is calculated as the annualised interest cost on closing balances on bank accounts and market deposits at different basis points to measure sensitivity.

	2008 Closing Balance	**50 bpp**	**75 bpp**	**100 bpp**
Bank Deposits	£ 14,568,618	£ 72,139	£ 108,209	£ 99,223
Market Deposits	£ 12,984,432	£ 64,922	£ 97,383	£ 40,558
TOTAL	**27,553,050**	**£ 137,061**	**£205,592**	**£ 139,780**

25. **Financial risk management (continued)**

	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 held in clients' trading accounts. At 31 December 2008, 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 £139,780 (2007: £58,283) higher/lower, mainly as a result of higher/lower interest income on the deposits in various currencies.

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.

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 an FSA regulated entity, the company is required to manage liquidity risk for regulatory purposes.

The company's quick ratio is 1.57 (2007: 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 remaining contractual maturities of the liabilities as at 31 December 2008 are:

	Up to 3 months	**3-12 months**	**1-2 years**
Trade creditors	15,212,168	-	-
Sundry creditors	282,821	-	-
TOTAL	15,494,990	-	-

25. Financial risk management (continued)

Liquidity Risk (continued)

As at 31 December 2007

	Up to 3 months	3-12 months	1-2 years
Trade creditors	£ 8,089,733	-	-
Sundry creditors	£ 28,720	-	-
Loans	-	-	£ 729,350
TOTAL	£ 8,144,703	-	£ 729,350

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 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.

With other variables remaining constant, a change in spread by 150 pips would cause a change in profits, assets, capital of the company of £72,160 (2007: £44,081).

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).

Impaired debtors as at the year end came to £290,185 (2007: nil) and have been completely provided for in these financial statements.

The company did not have any overdue but not impaired debtors at the year end (2007: nil).

The balance within trade debtors include gains and losses on open client positions, which settled within a short period after the year end.

Other debtors include balances held with Prime Brokers. All prepayments should be collected through services within a month.

25. Financial risk management (continued)

Other Market Risks and Concentration

The company currently has three banks and three 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.

The company has a large number of active accounts, trades are spread across these accounts and hence the company in not exposed to concentration risk.

Management believe 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 worth £1,520,000 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 event of the capital falling down to 150% of the minimum capital requirement, 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 2008 as follows:

	At Fair Value Through Profit and Loss	**At amortized cost**	**Total carrying value**
	£	**£**	**£**
Assets			
Trade debtors	1,915,301		1,915,301
Other debtors		13,001,181	13,001,181
Prepayments and deferred income		659,016	659,016
TOTAL	1,915,301	13,660,197	15,575,498

ALPARI (UK) LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2008 (continued)

25. **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	15,212,168		15,212,168
Sundry creditors		282,821	282,821
Long term loans	-	-	-
TOTAL	15,212,168	282,821	15,494,990

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

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	-	4,714	4,714
Long term loans	-	540,274	540,274
TOTAL	8,090,168	544,988	8,635,156

26. **Pillar 3 disclosures**

In accordance with FSA regulations, the Pillar 3 disclosures are available from the Company's registered office.

27. **Post balance sheet events**

After the year end the Company registered an office in India, as a subsidiary of the Company. The Company invested an amount totalling £356,170.

ALPARI (UK) LIMITED

Detailed Profit & Loss Account for the year ended

31 DECEMBER 2008

(Unaudited)

ALPARI (UK) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	2008	2007
	£	£
Turnover		
Trading book profit & loss	(7,100,439)	(2,661,319)
Clients' profit & loss	21,320,868	4,184,318
	14,220,429	1,522,999
Other income		
Miscellaneous income	327	150
Deposit account interest	197,505	132,911
Gross profit	14,418,261	1,656,060
Administrative expenses		
Rent	95,253	108,285
Service charges	43,108	30,690
Rates and water	11,382	35,991
Insurance	52,632	9,281
Directors' salaries	284,213	84,450
Wages	1,112,440	465,410
Social security	162,549	62,218
Recruitment expenses	157,395	-
Telecommunication & internet	22,077	10,759
Printing, postage & stationary	11,284	1,349
Subsistence	3,375	2,587
Travelling	29,106	1,618
Repairs & maintenance	70,575	2,890
Household & cleaning	4,512	2,073
Computer consumable	23,649	5,613
Training costs	9,633	1,934
Datacentre services	168,049	21,917
Sundry expenses	7,038	4,729
Accountancy	44,579	42,555
Legal fees	110,091	18,604
Professional fees	11,453	7,253
Representative office expenses	73,166	-
Advertising	637,249	35,645
Information system sub	75,530	39,361
Other subscription	33,877	20,209
Charitable donations	750	-
Depreciation of tangible fixed assets		
- Fixtures & fittings	4,002	1,511
- Computer equipment	95,336	42,143
Refreshment	4,799	1,299
Entertainment	9,680	2,465
Bad debt write off	290,185	
	3,658,348	1,062,839

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008 (continued)

Finance costs	**2008**	**2007**
	£	**£**
Bank charges	39,925	34,054
Bank Interest payable	25,763	28,582
Exchange rate variance	(920,156)	110,956
Profit on ordinary activities before fair value adjustments and taxation	11,614,381	419,629

These pages do not form part of the statutory financial statements.