5284142

Alpari (UK) Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2010

20/9/11 348

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Directors and advisors

Directors	A Vedikhin D Stuart
Secretary	A Vedikhin
Registered Office	201 Bishopsgate London EC2M 3AB
Company Registered Number	5284142
Auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP HSBC Bank plc 8 Canada Square London E14 5HQ
Prime Broker	Morgan Stanley & Co. International PLC 25 Cabot Square Canary Wharf London E14 4QA

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2010

Principal activities

The principal activity of Alpari (UK) Limited ("Alpari (UK)" or "the Company") continued to be the provision of online currency trading services and contracts for differences ("CFDs"), as a market maker The Company hedges positions when considered appropriate, to mitigate the risk of material losses

In 2010, the Company delivered its trading services to individual traders, money managers and institutional clients worldwide The key factors of our expanding clientele are the innovative proprietary technology, protection of client funds, comprehensive market research tools, multilingual customer services, and above all competitive trading costs

The Company is authorised and regulated by the Financial Services Authority

Review of Business and future developments

The Company continued expanding in 2010, by increasing its head count There was an increase in head count of 10% during the year An increase was primarily seen in the customer facing departments The Company also established two new departments, Global Product Development and Institutional Sales The establishment of the Global Product Development department will bring the sales and new business development sides of the business closer together in order to serve our clients better and deliver to them state-of-the-art technology

Towards the end of the year, the Company set up the Institutional Sales department to allow the Company to serve institutional clients QuantumFX a state-of-the-art trading platform providing corporations, hedge funds, banks and high frequency trading institutions with access to a diverse and deep liquidity pool via a central clearing counter-party model with multiple execution mechanisms was developed during the year and launched in February 2011 QuantumFX enables access via third-party platforms and offers a full line of customised solutions, including but not limited to custom front-end integration, efficient back office solutions, credit solutions, algorithmic trading capabilities and front and back end analytical report automation

The profit on ordinary activities before taxation and distributions was £28,302,185 (2009 £7,704,061) The increase seen in profits was due to the increase in number of clients and an increase in trading turnover

In January 2010, the Company launched non-dealing desk execution on the MetaTrader 4 platform This allowed sophisticated traders to capitalise on direct market access, providing clients with price feeds from multiple liquidity providers ensuring client orders are executed with dealer intervention, using these very competitive prices

To further extend its global reach and adding to its presence in the UK, in February 2010 the Company established a subsidiary in Germany and in October 2010 the Company's subsidiary in India opened a branch office in Ahmadabad, Gujarat

The Company launched Contracts for Difference (CFD) trading on MetaTrader 4 The launch of the new product was in line with the business' diversification plans and offered customers with a greater choice of products in which to trade

Directors' report (continued)

The Company launched its first Forex Traders' Contest, a competition to find the Alpari community's "super trader" Clients competed using demo accounts and Alpari UK's comprehensive research tools The Company treated the most successful traders to a combined $20,000 in cash and trading credits There were 4,916 participants in the contest

During the year, additional currencies were added to the Company's offering, enhancing the forex product

The Company was one of the first within the industry to launch the demo version of MetaTrader 5, which is a highly anticipated next generation trading platform due in the summer

During the year two new Prime Broker relationships were established In addition the Company on boarded more providers of liquidity to deepen its liquidity pool allowing delivery of enhanced prices to clients

During the year, the Company undertook major steps towards achieving greater brand recognition whilst strengthening its credibility The Company successfully sponsored a number of trade shows and was the international sponsor of the World MoneyShow in London Alpari (UK) received industry recognition by winning a number of awards, including the Shares Magazine Best Active Trading Tools 2010, the World Finance Awards Best Execution House 2010 and three FX Traders' Choice Awards.

Both the events and awards significantly increased the Company's media presence and gave it additional opportunities to engage with new clients

Future Developments

To enhance the CFD offering, in early 2011, the Company launched new trading platforms QTrader and L2 Dealer This enhanced the existing CFD offering to the client base Clients can now access in excess of 10,000 markets and a large range of CFDs to include shares, commodities, indices, stock indices energy, industry sectors options and interest rates/bonds The Company also introduced Gold denominated accounts in addition to the currencies currently on offer, providing clients with additional funding options

Key performance indicators (KPIs)

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

To measure financial performance:

	2010	**2009**	**Increase**
	£	£	%
Profit before tax	28,302,185	7,704,061	267

To measure growth:

	2010	**2009**	**Increase / (Decrease)**
			%
Number of trading accounts	73,902	48,231	53

Directors' report (continued)

Key performance indicators (continued)

To measure trading activity:

	2010	2009	Increase
	£bn	£bn	%
Trading volume	528	438	21

The above results were in line with the Board's expectations, as the Company continued expanding globally

A dividend of £39,963 was declared and paid to the ultimate parent post year end

The Company has entered into negotiations to acquire a Japanese entity post period end to expand the business within the Far East

Post reporting date, the Company registered a subsidiary in Australia, Alpari (AU) PTY LTD

Principal risks and uncertainties

The Company is exposed to operational and financial risks The principal financial risk was currency risk, the financial risks are detailed in note 17

The principal operating risks are as follows

Compliance & regulatory risk

The Company is required to comply with a number of regulatory requirements in different jurisdictions A procedure is in place to ensure that these requirements are met, which is overseen by the directors and the Compliance Officer

IT risk

Due to the nature of the business, technology is integral to the Company Failure of technology would expose the Company to reputational damage, loss of revenue and customer dissatisfaction. To minimise the company's exposure rigorous testing is carried out when new technology is introduced or any changes are implemented

Directors

The directors of the company who held office during the year were as follows

A Vedikhin
D Stuart
S Chattopadhyay (resigned 28 April 2010)

Directors' report (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs 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

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditor are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' report (continued)

Reappointment of Auditors

Grant Thornton UK LLP has expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

Approved by the board of directors and signed on its behalf

David Stuart
Director

201 Bishopsgate
London
EC2M 3AB

30 March 2011

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

We have audited the financial statements of Alpari (UK) Limited for the year ended 31 December 2010 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow and the Related Notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on 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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
30 March 2011

Statement of Comprehensive Income
For the year ended at 31 December 2010

	Notes	2010 £	2009 (Restated) £
Revenue		58,963,941	31,420,817
Other operating income			140
Administrative expenses		(30,770,663)	(23,785,632)
OPERATING PROFIT	3	28,193,278	7,635,325
Finance income	6	108,907	68,736
Profit before tax		28,302,185	7,704,061
Income tax expense	7	(7,982,901)	(2,158,332)
Profit for the year and total comprehensive income		20,319,284	5,545,729

In period ended 31 December 2010 the Company has reassessed the presentation of commissions payable to Introducing brokers, increasing revenue and operating costs by £10,587,937 (2009 £10,088,819), on the grounds that this better reflects the substance of the transaction as assessed under IAS 18- Revenue

The 2009 figures have also been restated to provide true comparatives No other restatements have been made to the prior year figures

Alpari (UK) Limited

Company registration no 5284142

Statement of Financial Position
As at the year ended 31 December 2010

	Notes	2010 £	2009 (Restated) £
Non-current assets			
Property, plant and equipment	8	1,939,511	1,976,018
Investments in subsidiaries	9	826,197	356,170
		2,765,708	2,332,188
Current assets			
Trade and other receivables	10	3,930,548	1,479,146
Derivative financial assets	11	9,511,003	5,576,214
Cash and cash equivalents	12	88,171,793	54,189,479
Current assets		101,613,344	61,244,839
TOTAL ASSETS		104,379,052	63,577,027
Non-current liabilities			
Provisions	14	265,000	265,000
Deferred tax liability	13	6,624	69,722
		271,624	334,722
Current liabilities			
Trade and other payables	15	63,029,602	44,715,970
Derivative financial liabilities	16	485,553	199,344
Current tax liabilities		3,257,412	1,311,414
Current liabilities		66,772,567	46,226,728
TOTAL LIABILITIES		67,044,191	46,561,450
NET ASSETS		37,334,861	17,015,577
EQUITY			
Share capital	18	3,228,514	3,228,514
Retained earnings		34,106,347	13,787,063
Equity attributable to owners of the parent		37,334,861	17,015,577

In period ended 31 December 2010 the Company has reassessed the presentation of balances with prime brokers As the balances are held for the purpose of meeting short-term cash commitments, hence it is more appropriate for them to be disclosed under Cash and cash equivalent than Trade and other receivables As a result, total balance of £16,186,362 has been reclassified from Trade and other receivables to Cash and cash equivalent For 2009 comparatives, £9,384 205 held within Trade and other receivables and £1,019,330 from Trade and other payables, relating to the prime broker balance have been reclassified to cash and cash equivalent There have been no changes in accounting policies hence management is of the opinion that no third year comparatives were required No other restatements have been made to the prior year figures

Approved by the Board of directors and signed on their behalf by

David Stuart
30 March 2011

Alpari (UK) Limited

Statement of Changes in Equity
For the year ended 31 December 2010

	Equity Share Capital	Retained Earnings	Equity Element of Compound Financial Instruments	Total equity
	£	£	£	£
Balance as at 1 January 2009	**3,228,514**	**7,941,851**	**299,483**	**11,469,848**
Total comprehensive income for the year	-	5,545,729	-	5,545,729
Reserves Transfer		299,483	(299,483)	-
Balance as at 1 January 2010	**3,228,514**	**13,787,063**	**-**	**17,015,577**
Total comprehensive income for the year		20,319,284		20,319,284
Balance as at 31 December 2010	**3,228,514**	**34,106,347**	**-**	**37,334,861**

Alpari (UK) Limited

Statement of Cash Flow
for the year ended 31 December 2010

	Notes	2010 £	2009 (Restated) £
OPERATING ACTIVITIES			
Profit before tax		28,302,185	7,704,061
Adjustments for non cash and other reconciling items	19	(189,829)	2,094,415
Net change in working capital	19	12,213,648	24,874,874
Tax paid		(6,100,000)	(4,015,600)
CASHFLOW FROM OPERATING ACTIVITIES		34,226,004	30,657,750
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(522,011)	(2,001,142)
Investment in subsidiary		(470,027)	(356,170)
Interest received		108,907	80,894
CASHFLOW FROM INVESTING ACTIVITIES		(883,131)	(2,276,418)
FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	-
Repayments of borrowings		-	-
NET CASH FROM FINANCING ACTIVITIES		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		33,342,873	28,381,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		54,189,480	27,553,049
Exchange differences on cash and cash equivalents		639,440	(1,744,901)
CASH AND CASH EQUIVALENTS AT END OF YEAR		88,171,793	54,189,480

Included within cash and cash equivalents held at the end of the year are amounts held in designated client accounts The total of these amounts is £53,752,336 (2009 £35,879,271)

In period ended 31 December 2010 the Company has reassessed the presentation of balances with prime brokers As the balances are held for the purpose of meeting short-term cash commitments, hence it is more appropriate for them to be disclosed under Cash and cash equivalent than Trade and other receivables As a result, total balance of £16,186,362 has been reclassified from Trade and other receivables to Cash and cash equivalent For 2009 comparatives, £9,384,205 held within Trade and other receivables and £1,019,330 from Trade and other payables, relating to the prime broker balance have been reclassified to cash and cash equivalent There have been no changes in accounting policies hence management is of the opinion that no third year comparatives were required No other restatements have been made to the prior year figures

Notes to the Financial Statements

1 General Information

Corporation information
Alpari (UK) Limited is a company incorporated and domiciled in England and Wales

The parent's consolidated financial statements may be obtained from the Company's registered address

2 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) and applied in accordance with the provisions of the Companies Act 2006

The financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the company operates, and as such is the functional and presentation currency

The financial information has been prepared on the historical cost basis, except for the measurement at fair value of financial instruments, please refer to accounting policy on financial instruments The principal accounting policies adopted are set out below

Statement of Cash flow
The statement of cash flow has been prepared under the indirect method as management believe that it best reflects the position at the end of the reporting period.

Revenue Recognition
Revenue is recognised when the flow of economic benefit associated with the transaction is either probable or at fair value and the revenue can be reliability measured

Trading revenue represents gains and losses on foreign currency and CFD (Contract for Difference) trading on a trade date basis and any commissions earned on individual trades Open positions are carried at fair value and any gains and losses on this valuation are recognised in revenue as well as gains and losses resulting from the closed positions Commission or any fees paid relating to the trades is recorded within administrative expenses Cost relating to promotional incentives from credit campaigns which are eligible for conversion into a client balance is also recorded within administrative expenses

Bank and other deposit interest received and interest paid is included in financial income and costs respectively

Foreign exchange
Transactions in foreign currencies are translated into pounds sterling at the rate prevailing on the date of transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the end of the reporting period Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value is determined Gains and losses arising on translation are taken to the statement of comprehensive income

2 Basis of Accounting (continued)

Investment in subsidiaries
Investment in subsidiary is stated at cost less impairment losses to date

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss Depreciation is provided at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the end of the reporting period, of each asset over its expected useful life as follows

Leasehold property	over the life of the lease
Computer equipment	straight line over 3 years
Fixtures and fittings	25% reducing balance

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

Reinstatement of leasehold premises (dilapidation provision)
Cost of reinstating leasehold properties are capitalised and amortised over the life of the lease

Impairment
At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment with finite lives to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) The recoverable amount is the higher of value in use and fair value less costs to sell Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

If the recoverable amount of any asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount Impairment losses are recognised as an expense immediately Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately

Retirement benefit costs
The Company operates a defined contribution scheme Contributions are charged to the statement of comprehensive income as and when they become payable as per the terms of the scheme

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference

2 Basis of Accounting (continued)

arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the end of the reporting period Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity

Provisions
Provisions are recognised when present obligations as a result of past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliability Timing or amount of the outflow may still be uncertain A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events Provisions are not recognised for future operating losses

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole Provisions are discounted at their present values, where the time value of money is material

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised

Financial instruments
Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument

Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the statement of comprehensive income

Derivative financial assets
Derivative financial instruments included are the profits arising on trades which may still be open at the reporting date The profit is calculated based on the exchange rate from the regular price feed prevailing at the reporting date and spreads based on the terms of the underlying contract

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank, market deposits and other short-term deposits held by the Company with maturities of less than three months

The Company holds money on behalf of clients and this is included within cash and cash equivalents on the statement of financial position and the corresponding liability to clients is included in trade and other payables

2 Basis of Accounting (continued)

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities Instruments issued by the company are recorded at the proceeds received, net of direct issue costs Compound financial instruments include liability and equity components The equity component is assigned the residual of the proceeds of issue after deducting the fair value of the liability component

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method

Equity, instruments and dividend payments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs Share capital represents the nominal value of shares that have been issued

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date All transactions with owners of the parent are recorded separately within equity

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease As per the terms of the agreement, the Company was graced with a rent free period which has been spread over the course of the lease as per SIC 15 guidelines

Please refer to note 23 Operating Lease Commitments for details of contractual liabilities arising under the non-cancellable part of operating lease

Reserves
Equity element of compound financial instruments

On adoption of International Financial Reporting Standards, the Company adopted provisions of IAS 32 "Financial Instruments Disclosure and Presentation" 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 a 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 In 2009, the reserve was reclassified to retained earnings as the underlying financial instrument is no longer in existence

At the period end, there are no other reserves except share capital and retained earnings which comprise of distributable profits Amount of distributable profits is limited by the minimum capital adequacy requirement

2 Basis of Accounting (continued)

Significant management judgement in applying accounting policies

Estimation of uncertainty

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date At 31 December 2010, management assesses that the useful lives represent the expected utility of the assets to the Company The carrying amounts are analysed in note 8 Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment

Provisions

A provision for dilapidations on the leasehold property is required, which is based on an estimation provided to management by contractors who were utilised to fit out the new premises This is based on their knowledge of the premises and the dilapidations for which the Company would be liable on termination of the lease This provision will be reviewed periodically by management, as the termination date of the lease draws nearer

3 Operating Profit	**2010**	**2009**
	£	**£**
Operating profit is stated after charging		
Depreciation	558,518	418,549
Net foreign exchange (profit)/loss	(40,601)	1,092,177
Operating leases – land and buildings	976,200	960,986

4 Auditors Remuneration	**2010**	**2009**
	£	**£**
A more detailed analysis of remuneration as auditors is provided below		
Fees payable to the auditors for the audit of the financial statements		
- Smith & Williamson – statutory audit	-	3,580
- Grant Thornton UK LLP – statutory audit	66,000	30,152
Fees payable to the Company's auditors and their associates for other services (exclusive of VAT)		
Other services supplied relating to non-regulatory reporting on FSA matters (Grant Thornton UK LLP)	14,757	60,111
Other services relating to taxation (Grant Thornton UK LLP)	11,150	-
Other services relating to taxation (Smith & Williamson)	-	16,203
	91,907	110,046

5 Employee Information

	2010 £	2009 £
The aggregate employment costs for all employees under a contract of service		
Wages and salaries	6,044,578	3,721,084
Social security costs	532,213	415,519
Pensions - defined contribution plans	220,189	116,664
Employee benefit expense	6,796,980	4,253,267

Key management compensation (1)	2010 £	2009 £
Short term employee benefits		
Salaries including bonuses	706,956	580,526
Social security costs	103,849	71,842
Compensation for loss of office	111,911	-
Total short term employee benefits	922,716	652,368
Post employment benefits		
Defined contribution pension plans	31,736	22,704
Total post employment benefits	31,736	22,704

The total number of directors accruing benefits under a money purchase pension scheme is 3 (2009 3)

Aggregate remuneration payable to the highest paid director for the year was £621,166 (2009 £278,667) and the Company's contribution with respect to money purchase pension scheme was £23,333 (2009 7,267)

(1) Key management comprises the Directors of Alpari (UK) Limited only

The average number of employees during the year is set out below

	2010 No.	2009 No.
Trading	7	7
Back office	11	8
Client Services	32	20
Administration	32	23
Sales and Marketing	15	18
	97	76

The total number of employees as at 31 December 2010 was 112 (2009 102)

6 Finance Income

	2010 £	2009 £
Bank interest receivable and similar income	108,907	68,736

7 Taxation on profit from ordinary activities

a) **Analysis of charge in the period**

	2010 £	2009 £
Current tax		
UK corporation tax on profits of the period	8,026,460	2,146,782
Adjustments in respect of previous periods	19,539	(58,172)
Total current tax	8,045,999	2,088,610
Deferred tax (see note 13)		
Origination and reversal of timing differences	(38,151)	69,722
Adjustments in respect of previous period	(24,947)	-
Tax on profit on ordinary activities	7,982,901	2,158,332

b) **Factors affecting tax charge for the period**

The tax assessed for the period differs from the standard rate of corporation tax in the UK The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before taxation	28,302,185	7,704,061
Profit on ordinary activities at the standard rate of corporation tax rate 28% (2009 28%)	7,924,612	2,157,137
Effects of		
Expenses not deductible for tax purposes	38,705	18,644
Depreciation in excess of capital allowances in the period	54,610	(28,999)
Other timing differences	8,533	-
Adjustments in respect of prior period	19,539	(58,172)
Current tax charge (as per note (a))	8,045,999	2,088,610

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

8 Property Plant and Equipment

	Leasehold improvements	Property reinstatement	Computer equipment	Fixtures and fitting	Total
	£	£	£	£	£
Cost					
Cost brought forward at 1 January 2010	1,086,986	265,000	740,177	489,519	2,581,682
Additions	-	-	491,678	30,333	522,011
As at 31 December 2010	1,086,986	265,000	1,231,855	519,852	3,103,693
Accumulated depreciation					
Accumulated depreciation brought forward at 1 January 2010	72,466	17,667	387,505	128,026	605,664
Charge for year	88,660	1,472	368,493	99,893	558,518
At 31 December 2010	161,126	19,139	755,998	227,919	1,164,182
Net carrying value at 31 December 2010	925,860	245,861	475,857	291,933	1,939,511
Cost					
Cost brought forward at 1 January 2009	-	-	296,007	19,534	315,541
Additions	1,086,986	265,000	444,970	469,985	2,266,941
Disposals	-	-	(800)	-	(800)
As at 31 December 2009	1,086,986	265,000	740,177	489,519	2,581,682
Accumulated depreciation					
Accumulated depreciation brought forward at 1 January 2009	-	-	179,887	7,528	187,415
Charge for year	72,466	17,667	207,918	120,498	418,549
Disposals	-	-	(300)	-	(300)
At 31 December 2009	72,466	17,667	387,505	128,026	605,664
Net carrying value at 31 December 2009	1,014,520	247,333	352,672	361,493	1,976,018

9 Investments in Subsidiaries

	£
Cost and Net Book Value	
At 1 January 2009	-
Additions	356,170
At 1 January 2010	356,170
Additions	470,027
At 31 December 2010	826,197

The additions during the year relate to the investment in Alpari (Deutschland) GmBH and increase in investment within Alpari Forex (India) Private Limited

Name of company	Country of incorporation	Holding	Proportion of voting rights held	Nature of business
Alpari Forex (India) Private Limited	India	100%	100%	Sales and marketing office
Alpari (Deutschland) GmbH	Germany	100%	100%	Sales and marketing office

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements and the disclosure of aggregate capital and reserves and profit for the financial year of its subsidiaries is not required as a result of that exemption

The financial reporting year ends for the two entities are as follows

Alpari Forex (India) Private Limited- 30 March 2011
Alpari (Deutschland) GmbH- 31 December 2010

10 Trade and Other Receivables

	2010 £	2009 (Restated) £
Trade and other receivables	3,215,317	942,449
Prepayments and accrued income	715,231	536,697
	3,930,548	1,479,146

There were no financial assets that were past due at the reporting date Assets totalling £1,026,063 (2009 £738,476) were impaired and had been fully provided for at the end of the reporting period

Trade and other receivables include £1,870,849 of a sub-ordinate loan made to Alpari US LLC during the year, which is due for full repayment within the year at the rate of 0 2% interest per annum payable on maturity date

11 Derivative financial assets

	2010 £	2009 £
Gains on client open positions	9,511,003	5,489,846
Gains on hedged open positions	-	86,368
	9,511,003	5,576,214

12 Cash and cash equivalents

Included within cash and cash equivalents are deposits held by banks for providing merchant services- Barclays £16,034 (2009 £309,614) and HSBC £375,000 (2009 £375,000) The control of these monies lays with the banks until such time the liability relating to Card Processing agreements have expired

The cash and cash equivalent also includes amounts held with Prime Broker The requirement is that the company deposits an amount sufficient to cover all open positions with the Prime Broker The company had open positions of £224,499 at the end of the reporting period (2009 £434,513), however voluntarily kept £16,186,362 (2009 £8,364,875) on deposit with the Prime Broker

13 Deferred Taxation

	2010	2009
	£	£
As at 1 January 2010	69,722	-
Movement in the year	(63,098)	69,722
As at 31 December 2010	6,624	69,722

Deferred tax liability/(asset) comprises	2010	2009
	£	£
Accelerated capital allowances	14,852	69,722
Other timing differences	(8,228)	-
	6,624	69,722

14 Provisions

	Dilapidation provision
	£
At 1 January 2009	69,000
Additional provision in year	265,000
Provision released in year	(69,000)
At 1 January 2010	265,000
Additional provision in year	-
At 31 December 2010	265,000

	2010	2009
	£	£
Non current provision	265,000	265,000
	265,000	265,000

The dilapidation provision represents management's best estimate of the Company's liability payable to the landlord on termination of the lease at the current premises

15 Trade and Other payables

	2010 £	2009 (Restated) £
Client balances and trade payables	59,330,551	42,879,137
Other payables	1,321,176	1,026,965
Accruals and deferred income	2,377,875	809,868
	63,029,602	44,715,970

16 Derivative financial liabilities

	2010 £	2009 £
Losses on client open positions	261,054	199,344
Losses on hedged open positions	224,499	-
	485,553	199,344

17 Financial Instruments Presentation

Currency risk
Directors believe it to be essential to manage the currency exposure in the current volatile market to avoid significant losses The management has devised formal procedures and methods to manage the risk and the directors look at the exposures and the occurrence of special events and appropriate derivatives are used to provide an economic hedge on certain client positions

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 maximum funds as leverage for trading, and the Company's prime brokers currently accepts collateral only in USD The other factor that the directors consider is floating profit or loss on the open positions

The company had the following currency exposure as at the 31 December 2010

Currencies	Assets	Liability	Net Exposure	Exchange Rate	Exposure Value in GBP
USD	$75,300,713	($54,217,124)	$21,083,589	1 55921	13,521,969
EUR	€18,334,059	(€15,138,210)	€3,195,849	1 16649	2,739,714
CHF	CHF 2,701,360	(CHF 1,101,309)	CHF 1,600,051	1 4563	1,098,710
JPY	JPY 414,694,370	(JPY 293,586,208)	JPY 121,108,162	126 609	956,553
AUD	AUD 41,152	-	AUD 41,152	1 52423	26,999
TOTAL					18,343,945

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

17 Fınancıal Instruments Presentatıon (contınued)

The company had the followıng currency exposure as at 31 December 2009

Currencıes	Assets	Lıabılıty	Net Exposure	Exchange Rate	Exposure Value in GBP
USD	$44,292,717	($41,357,621)	$2,935,096	1 6147	1,817,735
EUR	€ 12,662,228	(€ 12,101,513)	€ 560,715	1 1269	497,573
CHF	CHF 1,765,298	(CHF 1,069,536)	CHF 695,762	1 6711	416,350
JPY	JPY 108,867,504	(JPY 151,870,601)	(JPY 43,003,097)	150 436	(285,856)
TOTAL					2,445,802

Exposure to foreıgn currency assets may affect the Company's profit or loss At 31 December 2010, ıf GBP had strengthened by 10% agaınst other currencıes wıth all varıables held constant, pre-tax profit for the year would have been reduced by £1,834,395 (2009 £244,580), maınly as a result of foreıgn currency assets exceedıng lıabılıtıes The figure ın questıon was calculated as the net exposure shown ın the table below multıplıed by the relevant percentage

Income statement ımpact of reasonably possıble changes ın foreıgn exchange rates at 31 December 2010 ıs as follows

Currencıes	Exchange Rate 5%	In GBP 5%	Exchange Rate 10%	In GBP 10%	Exchange Rate 15%	In GBP 15%
USD	$1,054,179	676,098	$2,108,359	1,352,197	$3,162,538	2,028,295
EUR	€159,792	136,986	€319,585	273,971	€479,377	410,957
CHF	CHF 80,003	54,935	CHF 160,005	109,871	CHF 240,008	164,806
JPY	JPY 6,055,408	47,828	JPY 12,110,816	95,655	JPY 18,166,224	143,483
AUD	AUD 2,058	1,350	AUD 4,115	2,700	AUD 6,173	4,050
TOTAL		917,197		1,834,394		2,751,591

Income statement ımpact of reasonably possıble changes ın foreıgn exchange rates at 31 December 2009 ıs as follows

Currencıes	Exchange Rate 5%	In GBP 5%	Exchange Rate 10%	In GBP 10%	Exchange Rate 15%	In GBP 15%
USD	$146,755	90,887	$293,510	181,773	$440,264	272,660
EUR	€ 28,036	24,879	€ 56,072	49,757	€ 84,107	74,636
CHF	CHF 34,788	20,817	CHF 69,576	41,635	CHF 104,364	62,452
JPY	(¥ 2,150,155)	(14,293)	(¥ 4,300,310)	(28,586)	(¥ 6,450,465)	(42,878)
TOTAL		£122,290		£244,579		£366,870

Market rısk
The Company was not exposed to materıal market rısks durıng the year

17 Financial Instruments Presentation (continued)

Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations Management does not believe liquidity risk to be a 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 and further details are provided in the Capital Management note

The Company's current ratio (current assets current liabilities) is 1 52 (2009 1 32) thus providing sufficient coverage to the Company's financial obligations including those of long term nature During the year liquidity was maintained through the accumulation of profits from current and previous years The Company has forecast it has sufficient financial resources to meet its financial obligations as they fall due

The Company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meets its margin requirements and liabilities as they fall due

In order to monitor liquidity and manage the risk, a review is undertaken on a weekly basis of the funds available against the liabilities due as at that date, which determines headroom or short falls

As at the end of the reporting period, the position was as follows

	2010 £	2009 £
Client monies held at instant access	53,752,336	35,879,271
Other cash and cash equivalent	34,419,457	18,310,208
TOTAL	88,171,793	54,189,479

The remaining contractual maturities of the non derivative financial liabilities as at 31 December 2010 were

	Non-financial liabilities £	**0-90 days** £	**On demand** £
Client money	-	-	58,893,895
Other liabilities	1,140,455	2,995,252	-
TOTAL	1,140,455	2,995,252	58,893,895

The remaining contractual maturities of the derivative financial liabilities as at 31 December 2010 were

	No fixed maturity £
Losses on open positions	485,553
TOTAL	485,553

17 Financial Instruments Presentation (continued)

The remaining contractual maturities of the non derivative financial liabilities as at 31 December 2009 were

	Non-financial liabilities £	0-90 days £	On demand £
Client money	-	-	42,687,787
Other liabilities	706,562	1,321,621	-
TOTAL	706,562	1,321,621	42,687,787

The remaining contractual maturities of the derivative financial liabilities as at 31 December 2009 were

	No fixed maturity £
Losses on open positions	199,344
TOTAL	199,344

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

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 US$20,000, which gives the company's total exposure to the risk of US$980,000 The institutional clients are on a lower leverage (100 1)

The company had no overdue but not impaired receivables at the period end (2009 £nil)

The balance within derivative financial instruments includes gains on open client positions, which settled within a short period after the year end

Other market risks and concentration

The Company currently has two banks and a prime broker to keep its assets and facilitate operations – all approved financial institutions The Company has 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 over exposure is mitigated by diversification of trades and conditions offered to existing and potential clients

17 Financial Instruments Presentation (continued)

The forex market is the biggest market 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 in which 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

Classification of financial assets and liabilities

The Company classified its financial assets and liabilities at 31 December 2010 as follows

Financial assets	**At fair value through profit and loss £**	**At amortised cost £**	**Total carrying value £**
Financial assets held for trading			
Derivative financial asset	9,511,003	-	9,511,003
Loans and receivables			
Trade and other receivables	-	3,930,548	3,930,548
Cash and cash equivalents	-	88,171,793	88,171,793
TOTAL	9,511,003	92,102,341	101,613,344

Financial liabilities			
Financial liabilities held for trading			
Derivative financial liabilities	485,553		485,553
Borrowings and payables			
Trade and other payables	-	63,029,602	63,029,602
TOTAL	485,553	63,029,602	63,515,155

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

17 Financial Instruments Presentation (continued)

The company classified its financial assets and liabilities at 31 December 2009 as follows

Financial assets (Restated)	**At fair value through profit and loss £**	**At amortised cost £**	**Total carrying value £**
Financial assets held for trading			
Derivative financial assets	5,576,214	-	5,576,214
Loans and other receivables			
Trade and other receivables	-	1,479,146	1,479,146
Cash and cash equivalents		54,189,479	54,189,479
TOTAL	5,576,214	55,668,625	61,244,839

Financial liabilities (Restated)			
Financial liabilities held for trading			
Derivative financial liabilities	199,344	-	199,344
Borrowings and payables			
Trade and other payables	-	44,715,970	44,715,970
TOTAL	199,344	44,715,970	44,915,314

Under IFRS 7 all of the Company's derivatives are level two financial instruments and are derived directly from market foreign exchange rates, indices and share prices

Credit quality of bank balances

The credit quality of the financial institutions in which the Company keeps its deposits is assessed by reference to the credit rating of these banks The bank balances of the Company are allocated based on the Short-Term Issuer credit ratings of the corresponding banks as follows

	2010 £	**2009 £**
Banks		
P-1	71,985,430	45,824,604
Market deposits		
P-1	14,719,199	7,711,059
Other institutions	1,467,164	653,816
TOTAL	88,171,793	54,189,479

The unrated institutions are prime brokers who have sufficient capital resource to fulfil their obligations

18 Equity share capital

	2010	2009
	£	£
Authorised		
Ordinary shares of £1	10,000,000	10,000,000
Shares issued and fully paid		
1 January 2010	3,228,514	3,228,514
31 December 2010	3,228,514	3,228,514

19 Cash flow adjustments and changes in working capital

	2010	2009
	£	£
Adjustments:		
Depreciation of property, plant and equipment	558,518	418,250
Foreign exchange losses/(gains)	(639,440)	1,744,901
Interest and dividend income	(108,907)	(68,736)
Interest expense	-	-
Total adjustments	(189,829)	2,094,415

Net changes in working capital	2010	2009
	£	£
Change in trade and other receivables	(2,451,403)	(815,538)
Change in derivative financial asset	(3,934,789)	(3,660,913)
Change in trade and other payable	18,313,631	29,220,981
Change in derivative financial liability	286,209	199,344
Change in provisions	-	(69,000)
Changes in other liabilities	-	-
Total changes in working capital	12,213,648	24,874,874

20 Capital Management

The Company's capital management objectives are

- To ensure the Company's ability to continue as a going concern, and
- To meet regulatory capital requirements at all times

These objectives are primarily met by managing the market risks that the Company faces on a regular basis

The Company is regulated by the Financial Services Authority (FSA), and is required to adhere to a minimum capital requirement Capital is represented by issued share capital and reserves The capital requirements are derived from credit risk, operational risk, market risk and counterparty risk

There have been no changes to the capital management objectives, policies and procedures since the prior period

20 Capital Management (continued)

As at the reporting date capital resources, capital requirements and capital surplus were as follows

	2010 £'000	2009 £'000
Capital reserves	33,314	11,470
Capital requirements	14,316	10,198
Surplus	18,998	1,272

The regulatory capital requirements are calculated daily and monitored on an intraday basis The regulatory capital requirements and resources are reported to the Board of Directors and the FSA on a monthly basis

There have been no changes in the Company's management of capital and the minimum capital requirement during the year The Company capital has been in excess of the capital requirement though out the period

The Company has surplus cash at the reporting date, and it has adequate forecast financial resources in order to meet its liabilities as they fall due

In the opinion of the directors the Company is a going concern based on the following key indicators

- Increase in revenue
- Increase in net deposits
- Increase in number of new clients

All of the above have been forecast in line with the Company's expansion plans and are adequate to meet the capital requirements

In light of the above, the going concern basis of accounting is deemed to be appropriate for the Company

21 Related Party Transactions

Directors' transactions

Key management compensation is disclosed in Note 5

Other transactions

Payments made to Alpari Emirates, a company with common shareholders, for expenses during the year were £811,189 (2008 £390,711) Total balance due at the period end from Alpari Emirates was £nil (2009 £nil)

Payments made to Alpari Forex (India) Pvt Ltd, a subsidiary of the company, for expenses during the year were £990,737 (2009 £365,403) Total balance due at the period end from Alpari Forex (India) Pvt Ltd was £115,979 (2009 £180,216) The debtor arises as payments on account are made to the subsidiary

Payments made to Alpari (Deutschland) GmbH, a subsidiary of the company, for expenses during the year were £801,676 (2009 £nil) Total balance due at period end from Alpari (Deutschland) GmbH was £65,059 (2009 £nil) The debtor arises as payments on account are made to the subsidiary

21 Related Party Transactions (continued)

Alpari US LLC, a company with common shareholders was granted a $3,000,000 subordinate loan payable in full within the next 12 month period with interest at the rate of 0 2% per annum payable on maturity date

Furthermore, payments made for shared costs during the year were £862,709 (2009 £nil) Total balance due at the period end to Alpari US LLC for the shared costs, was £60,983 (2009 £nil)

22 Operating Lease Commitments

At each year end the Company had outstanding commitments under non-cancellable operating leases which fall due as follows

	2010 £	2009 £
Land and buildings		
Not later than one year	419,391	492,784
Later than one year but not more than five years	2,935,737	2,956,707
Later than five years	6,710,256	8,870,120
	10,065,384	12,319,611

23 Contingent Liabilities

From 12 October 2010, the Company agreed to act as a guarantor for various agreed credit facilities to Alpari Forex (India) Pvt Limited up to the value of 25 million Indian Rupees

At 31 December 2010 and 31 December 2009 there were no other contingent liabilities applicable to the Company

24 Auditor Liability Limitation Agreement

The agreement limits the liability owed to the Company by Grant Thornton UK LLP in respect of any negligence, default, breach of duty or breach of trust, occurring in the course of the audit of the financial statements for the year ended 31 December 2010 The agreement was approved by resolution of the Board of Directors on liability limitation being such amount deemed fair and reasonable, as so determined

25 Consolidation Exemption

Alpari (UK) Limited has exercised the exemption from preparing group accounts as it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State

26 Ultimate Parent and Controlling Party

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

27 Pillar 3 Disclosures

In accordance with FSA regulations, the Pillar 3 disclosures are available on the Company's website at www alpari co uk

28 Post-reporting date events

A dividend of £39,963 was declared and paid to the ultimate parent post year end

The Company has entered into negotiations to acquire a Japanese entity post period end to expand the business within the Far East

Post reporting date, the Company registered a subsidiary in Australia, Alpari (AU) PTY LTD

29 New standard or interpretation in issue not applied early

The following standards are in issue but not yet in effect at the date of approval of the financial statements

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)

None of these standards are expected to have a material impact on the results for the year or the position at year end

30 Authorisation of Financial Statements

The Company financial statements for the year ended 31 December 2010 (including comparatives) were approved by the board of directors on 30 March 2011

David Stuart
Director

5284142

THESE GROUP ACCOUNTS FORM PART OF THE ACCOUNTS OF COMPANY 5284142

Alpari (Cyprus) Ltd

Consolidated Financial Statements

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Alpari (Cyprus) Ltd

Consolidated financial statements

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Company information

Board of Directors:	Sotiris Polycarpou (appointed on 11 May 2010) Costas Kemidjis (appointed on 11 May 2010 and retired on 12 September 2011) Costantinos Tsagaris (appointed on 12 September 2011) Eleni Theodorou Argyrou (resigned on 11 May 2010) Toulla Petsa (resigned on 11 May 2010) Andrey Dashin (appointed on 23 March 2011) Andrey Vedikhin (appointed on 4 April 2011) Marieve Bouteille (appointed on 4 April 2011 and resigned on 2 December 2011) Jevgenija Basinskaja (appointed on 31 January 2012)
Company Secretary:	C M S Secretarial Limited (appointed on 11 May 2010) Medwell Holdings Ltd (resigned on 11 May 2010)
Independent Auditors:	Grant Thornton (Cyprus) Ltd Certified Public Accountants and Registered Auditors 41-49 Agiou Nicolaou Street Nimeli Court, Block C P O Box 23907 1687 Nicosia Cyprus
Registered Office:	1 Deligeorgi COSMO Building, 3rd floor 1066 Nicosia Cyprus
Registration number:	158218

Report of the Board of Directors

The Board of Directors present their report and audited consolidated financial statements of Alpari (Cyprus) Ltd (the Company) and its subsidiaries (the Group) for the year ended 31 December 2010

Incorporation

Alpari (Cyprus) Ltd was incorporated in Cyprus on 4 March 2005 as a private company with limited liability under the Companies Law, Cap 113

Principal activity

The principal activity of the Company continued to be that of a holding company

The principal activity of the Group continued to be the provision of regulated online currency trading services and contracts for differences ("CFDs"), as a market maker. The Group hedges positions when considered appropriate, to mitigate the risk of material losses

In 2010, subsidiary company Alpari (UK) Limited, delivered its trading services to individual traders, money managers and institutional clients worldwide The key factors of our expanding clientele are the innovative proprietary technology, protection of client funds, comprehensive market research tools, multilingual customer services, and above all competitive trading costs

Alpari (UK) Ltd is authorised and regulated by the Financial Services Authority (FSA)

Branch

The operations of the Group are carried out in the UK and also, the Group operates in China through a branch

Review of current position, future developments and significant risks

The Group continued expanding in 2010 by increasing its head count There was an increase in head count of 39% during the year An increase was primarily seen in the customer facing departments The Group also established two new departments, Global Product Development and Institutional Sales The establishment of the Global Product Development department will bring the sales and new business development sides of the business closer together in order to serve our clients better and deliver to them state-of-the-art technology

Towards the end of the year, the Group set up the Institutional Sales department to allow the Group to serve institutional clients QuantumFX, a state-of-the-art trading platform providing corporations, hedge funds, banks and high frequency trading institutions with access to a diverse and deep liquidity pool via a central clearing counter-party model with multiple execution mechanisms, was developed during the year and launched in February 2011. QuantumFX enables access via third-party platforms and offers a full line of customised solutions, including but not limited to. custom front-end integration, efficient back office solutions, credit solutions, algorithmic trading capabilities and front and back end analytical report automation

The profit on ordinary activities before taxation and distributions of the Group was GB£ 28 310.590 (2009· GB£ 7 772 681) The increase seen in profits was due to the rise in the number of clients and an increase in trading turnover

In January 2010, the Group launched non-dealing desk execution on the MetaTrader 4 platform. This allowed sophisticated traders to capitalise on direct market access, providing clients with price feeds from multiple liquidity providers ensuring client orders are executed with dealer intervention, using these very competitive prices.

Report of the Board of Directors (continued)

Review of current position, future developments and significant risks (continued)

To further extend its global reach and adding to its presence in the UK, in February 2010 the Group established a subsidiary in Germany, Alpari Deutschland GmbH Furthermore, in October 2010 Alpari Forex (India) Private Limited opened a branch office in Ahmadabad, Gujarat

In 2010, the Group launched Contracts for Difference (CFD) trading on MetaTrader 4 The launch of the new product was in line with the business' diversification plans and offered customers with a greater choice of products in which to trade

During the year, the Group launched its first Forex Traders' Contest, a competition to find the Alpari community's "super trader" Clients competed using demo accounts and the comprehensive research tools of the Group The Group rewarded the most successful traders to a combined $20,000 in cash prizes and trading credits There were 4,916 participants in the contest

During the year, additional currencies were added to the Group's offering, enhancing the forex product

The Group was one of the first within the industry to launch the demo version of MetaTrader 5, which is a highly anticipated next generation trading platform

During the year, two new Prime Broker relationships were established In addition, the Group boarded more providers of liquidity to deepen its liquidity pool allowing delivery of enhanced prices to clients

During the year, the Group undertook major steps towards achieving greater brand recognition whilst strengthening its credibility It successfully sponsored a number of trade shows and was the international sponsor of the World MoneyShow in London Alpari (UK) Limited received industry recognition by winning a number of awards, including the Shares Magazine Best Active Trading Tools 2010, the World Finance Awards Best Execution House 2010 and three FX Traders' Choice Awards

Both the events and awards significantly increased the Group's media presence and gave it additional opportunities to engage with new clients

Future Developments

To enhance the CFD offering, in early 2011, the Group launched new trading platforms QTrader and L2 Dealer This enhanced the existing CFD offering to the client base Clients can now access in excess of 10,000 markets and a large range of CFDs to include shares, commodities, indices, stock indices energy, industry sectors options and interest rates/bonds The Group also introduced Gold denominated accounts in addition to the currencies currently on offer, providing clients with additional funding options

Key performance indicators (KPIs)

Management use the following KPIs to monitor the performance of the Group

(a) To measure financial performance:

	2010	**2009**	**Increase**
	GB£	**GB£**	**%**
Profit before tax	28 310 590	7 772 681	264

Report of the Board of Directors (continued)

Review of current position, future developments and significant risks (continued)

(b) **To measure growth:**

	2010	2009	**Increase** %
Number of trading accounts	73 902	48 231	53

(c) **To measure trading activity:**

	2010 GB£bn	2009 GB£bn	**Increase** %
Trading volume	528	438	21

The above results were in line with the Board's expectations, as the Group continued expanding globally

Principal risks and uncertainties

The Group is exposed to operational and financial risks The principal financial risk was currency risk; the financial risks are detailed in note 4

The principal operating risks are as follows:

Compliance & regulatory risk

The Group is required to comply with a number of regulatory requirements in different jurisdictions A procedure is in place to ensure that these requirements are met, which is overseen by the directors and the Compliance Officer

IT risk

Due to the nature of the business, technology is integral to the Group. Failure of technology would expose the Company to reputational damage, loss of revenue and customer dissatisfaction To minimise the company's exposure rigorous testing is carried out when new technology is introduced or any changes are implemented.

Results and Dividends

The Group's results for the year are set out on pages 9 and 10. The Board of Directors did not recommend the payment of a dividend and the net profit for the year is retained

Share capital

Authorised capital
The authorised share capital of the Company remained unchanged from prior year

Issued capital
The shares in issue remained unchanged from prior year.

Report of the Board of Directors (continued)

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2010 and as at the date of this report are shown on page 1 Mrs Eleni Theodorou Argyrou and Mrs Toulla Petsa resigned on 11 May 2010 and on the same date Mr Sotiris Polycarpou and Mr Costas Kemidjis were appointed Directors on their place Mr Costas Kemidjis resigned on 12 September 2011 and Mr Costantinos Tsagaris was appointed as Director in his place Mr Andrey Dashin was appointed as Director on 23 March 2011 and on 4 April 2011, Mr Andrey Vedikhin and Mrs Marieve Bouteille were appointed as Directors Mrs Marieve Bouteille resigned as Director on 02 December 2011 Mr Jevgenija Basinskaja was appointed as Director on 31 January 2012

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors

Events after the end of the reporting year

Any significant events that occurred after the end of the year are described in note 30 to the financial statements

Independent Auditors

The independent auditors, Grant Thornton (Cyprus) Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting

By order of the Board of Directors,

C M S Secretarial Limited
Secretary

Nicosia, Cyprus, 24 February 2012

GrantThornton

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPARI (CYPRUS) LTD

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Alpari (Cyprus) Ltd (the "Company") and its subsidiaries (together "the Group") on pages 9 to 44, which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, and consolidated statements of comprehensive income, of changes in equity, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes

The consolidated financial statements of Alpari (Cyprus) Ltd and its subsidiaries for the year ended 31 December 2008 were audited by another auditor whose report dated 3 February 2010 expressed an unqualified opinion on those statements

Board of Directors' Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113 This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit We conducted our audit in accordance with International Standards on Auditing Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of

Grant Thornton

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPARI (CYPRUS) LTD (continued)

the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position Alpari (Cyprus) Ltd and its subsidiaries as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap 113, we report the following

- We have obtained all the information and explanations we considered necessary for the purposes of our audit
- In our opinion, proper books of account have been kept by the Company
- The Company's consolidated financial statements are in agreement with the books of account
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap 113, in the manner so required
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 5 is consistent with the consolidated financial statements

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap 113 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to

Grant Thornton (Cyprus) Ltd
Certified Public Accountants (Cy)

Nicosia, 24 February 2012

Consolidated statement of financial position

31 December 2010

	Note	2010 GB£	2009 GB£
ASSETS			
Non-current assets			
Property, plant and equipment	8	2.130 039	2.072.259
		2.130.039	2.072.259
Current assets			
Trade and other receivables	9	4.195.423	1.547.747
Derivative financial assets	10	9.511 003	5.576.214
Cash at bank and in hand	11	88.660.087	54.485.145
		102.366.513	61.609.106
Total assets		104.496.552	63.681.365
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	12	3.245.362	3.245.362
Translation reserve		(100.980)	(128.309)
Retained earnings		34.182.342	13.820.652
Total equity		37.326.724	16.937.705
Non-current liabilities			
Deferred tax liabilities	14	12.113	69.722
Provisions	15	265.000	265.000
		277.113	334.722
Current liabilities			
Trade and other payables	17	63.138.676	44.861.546
Derivative financial liabilities	18	485.553	199.344
Current tax liabilities	19	3.268.486	1.348.048
		66.892.715	46.408.938
Total liabilities		67.169.828	46.743.660
Total equity and liabilities		104.496.552	63.681.365

On 24 February 2012 the Board of Directors of Alpari (Cyprus) Ltd authorised these financial statements for issue

Andrey Dashin	Andrey Vedikhin	Sotiris Polycarpou	Jevgenija Basinskaja	Constantinos Tsangaris
Director	Director	Director	Director	Director

The notes on pages 13 to 45 form an integral part of these consolidated financial statements

Consolidated income statement

Year ended 31 December 2010

	Note	2010 GB£	2009 GB£
Revenue	20	**58.964.319**	**31.418.991**
Other income		**2.642**	**140**
Administration expenses		**(29.994.259)**	**(22.353.156)**
Operating profit	21	**28.972.702**	**9.065.975**
Net finance income / (costs)	23	**(778.778)**	**(1.362.030)**
Net profit from investing activities	24	**116.666**	**68.736**
Profit before tax		**28.310.590**	**7.772.681**
Taxation expense	25	**(7.948.778)**	**(2.196.218)**
Profit for the year		**20.361.812**	**5.576.463**
Attributable to			
Owners of the parent		**20.361.812**	**5.576.463**

The notes on pages 13 to 45 form an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

Year ended 31 December 2010

	Note	2010 GB£	2009 GB£
Profit for the year		20.361.812	5.576.463
Other comprehensive income			
Exchange difference on the translation of foreign operations		27.329	(14.782)
Equity element of compound financial instruments	16	-	299.483
Other comprehensive income after tax		27.329	284.701
Total comprehensive income for the year		20.389.141	5.861.164
Attributable to			
Owners of the parent		20.389.141	5.861.164

The notes on pages 13 to 45 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity

Year ended 31 December 2010

	Note	Share capital GB£	Shares to be issued GB£	Translation reserve GB£	Retained earnings GB£	Total GB£
At 1 January 2009		1.721 693	1.523.608	(113.527)	7.944.706	11.076.480
Comprehensive income						
Profit for the year		-	-	-	5 576 463	5 576 463
Exchange difference on the translation of foreign operations		-	-	(14 782)	-	(14 782)
Equity element of compound financial instruments	16	-	-	-	299 483	299 483
Total comprehensive income for 2009		-	-	(14 782)	5 875 946	5 861 164
Transactions with owners						
Issue of share capital	12	1 523 669	(1 523 608)	-	-	61
		1 523 669	(1 523 608)	-	-	61
At 31 December 2009/ 1 January 2010		3.245.362	-	(128.309)	13.820.652	16.937.705
Comprehensive income						
Profit for the year		-	-	-	20 361 812	20 361 812
Exchange difference on the translation of foreign operations		-	-	27 329	(122)	27 207
Total comprehensive income for 2010		-	-	27 329	20 361 690	20 389 019
Transactions with owners						
		-	-	-	-	-
At 31 December 2010		3.245.362	-	(100.980)	34.182.342	37.326.724

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time This special contribution for defence is payable for the account of the shareholders

Alpari (Cyprus) Ltd

Consolidated statement of cash flows

Year ended 31 December 2010

	Note	2010 GB£	2009 GB£
Operating activities			
Profit before tax		28.310.590	7.772.681
Adjustments			
Depreciation of property, plant and equipment	8	645.569	456 922
Provisions		-	196.000
Interest income	24	(116.666)	(68.736)
Interest expense		2.943	223
		28.842.436	8.357.090
Changes in working capital			
Trade and other receivables		(6.582.464)	(4.537.536)
Trade and other payables		18.563 338	29.463.687
Cash flows from operations		40.823.310	33.283.241
Tax paid		(6.028.340)	(4.015.932)
Net cash from operating activities		34.794.970	29.267.309
Investing activities			
Payment for purchase of property, plant and equipment		(702.878)	(2.399.692)
Proceeds from disposal of property, plant and equipment	8	-	500
Interest received		116.666	68 736
Net cash used in investing activities		(586.212)	(2.330.456)
Financing activities			
Proceeds from issue of ordinary share capital		-	-
Proceeds from issue of preference shares		-	61
Payment for purchase of treasury shares		-	-
Interest paid		(2.943)	(223)
Net cash used in financing activities		(2.943)	(162)
Net increase in cash and cash equivalents		34.205.815	26.936.691
Cash and cash equivalents			
At beginning of the year	11	54.485.145	27.555.877
Effect of exchange rate fluctuations on cash held		(30.873)	(7.423)
At end of the year	11	88.660.087	54.485.145

The notes on pages 13 to 45 form an integral part of these consolidated financial statements

1. Incorporation and principal activities

Country of incorporation

The Company Alpari (Cyprus) Ltd (the "Company") was incorporated in Cyprus on 4 March 2005 as a private company with limited liability under the Companies Law, Cap 113. Its registered office is at 1 Deligeorgi, COSMO Building, 3rd floor, 1066 Nicosia, Cyprus

Principal activity

The principal activity of the Company continued to be that of a holding company

The principal activity of the Group, which is unchanged from last year, is the provision of regulated online currency trading services, as a market maker.

In 2010, the subsidiary company Alpari (UK) Ltd, delivered its trading services to individual traders, money managers and institutional clients worldwide The key attributes of our expanding clientele are the innovative proprietary technology, protection of client funds, comprehensive market research tools, multilingual customer services, and above all the low trading costs

Alpari (UK) Ltd is authorised and regulated by the Financial Services Authority (FSA)

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113

The consolidated financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the Group operates.

The consolidated financial information has been prepared on the historical cost basis, except for the measurement at fair value of derivative financial instruments; please refer to accounting policy on financial instruments

2. Accounting policies (continued)

2.2 Adoption of new and revised IFRSs

As from 1 January 2010, the Company adopted all the IFRSs and International Accounting Standards (IAS), which became effective and also were endorsed by the European Union and are relevant to its operations The adoption of these Standards did not have a material effect on the financial statements.

All IFRSs issued by the International Standards Board (IASB) which are effective for the year ended 31 December 2010, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments Recognition and Measurement" relating to portfolio hedge accounting

The following Standards, Amendments to Standards and Interpretations had been issued by the date of authorisation of these financial statements but are not yet effective for the year ended 31 December 2010

<u>Standards and Interpretations endorsed by the EU</u>

	Effective for annual periods beginning on or after
• IAS 24 (Revised) "Related Party Disclosures"	1 January 2011
• IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010
• Improvements to IFRSs - 2010	1 July 2010 / 1 January 2011
• Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	1 July 2010
• Amendment to IAS 32 "Classification of Rights Issues"	1 February 2010
• Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"	1 January 2011

2. Accounting policies (continued)

Standards and Interpretations not endorsed by the EU

	Effective for annual periods beginning on or after
• IFRS 9 "Financial Instruments Classification and Measurement"	1 January 2013
• IFRS 10 "Consolidated Financial Statements"	1 January 2013
• IFRS 11 "Joint Arrangements"	1 January 2013
• IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2013
• IFRS 13 "Fair Value Measurement"	1 January 2013
• IAS 19 (Revised) "Employee Benefits"	1 January 2013
• IAS 27 (Revised) "Separate Financial Statements"	1 January 2013
• IAS 28 (Revised) "Investments in Associates and Joint Ventures"	1 January 2013
• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
• Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	1 July 2011
• Amendment to IFRS 7 "Disclosures - Transfers of Financial Assets"	1 July 2011
• Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	1 July 2012
• Amendment to IAS 12 "Deferred Tax Recovery of Underlying Assets"	1 January 2012

The Board of Directors expects that when the above Standards or Interpretations become effective in future periods will not have a material effect on the financial statements of the Company

2 3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) such as Alpari (UK) Ltd, Alpari Forex (India) Private Ltd, Alpari Deutschland GmbH and Alpari Technologies Limited During 2010, Alpari (UK) Ltd set up a wholly owned subsidiary, Alpari Deutschland GmbH and in December 2010, Alpari (Cyprus) Limited set up a 100% Cypriot subsidiary called Alpari Technologies Limited Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The financial statements of all the Group companies are prepared using uniform accounting policies Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

The results and cash flows of any subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as applicable

2. Accounting policies (continued)

2.4 Business combinations

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement Acquisition costs are expensed as incurred

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values

Goodwill is stated after separate recognition of identifiable intangible assets It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets of the acquired entity If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately

For each business combination, the interest of non-controlling shareholders (non-controlling interests) in the acquiree is initially measured at their proportion of the net fair value of the assets and liabilities of the acquired entity as recognised in accordance with IFRS 3, or their fair value

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses

Depreciation is provided at rates calculated to write off the cost of each asset to its residual value over its estimated useful life The expected useful lives of the assets are as follows

Leasehold improvements	Over the life of the lease
Computer equipment	33,33% straight line
Furniture, and fittings	25% reducing balance
Property reinstatement	Over the life of the lease
Motor vehicles	33,33% straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group Major renovations are depreciated over the remaining useful life of the related asset

2. Accounting policies (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement

2.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases

- **Operating leases**

  The Group as lessee

  Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease

  Benefits received and receivable as an incentive to enter into an operating lease as well as prepayments and any other premiums paid are spread on a straight-line basis over the lease term

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument

- **Financial assets**

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method

The fair values of quoted financial assets are based on current bid prices If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired

2. Accounting policies (continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when

- the rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Loans and receivables

(i) Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value They are subsequently measured at amortised cost using the effective interest rate method less any provision for impairment A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate The carrying value of the receivable is reduced through the use of an allowance account and any impairment is recognised in the statement of comprehensive income

(i) Loans granted

Loans granted by the Group are carried at amortised cost This is defined as the fair value of cash consideration given as is determined by reference to market prices at origination date All loans are recognised when cash is advanced to the borrower

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans

2. Accounting policies (continued)

- **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities Instruments issued by the company are recorded at the proceeds received, net of direct issue costs Compound financial instruments include liability and equity components The equity component is assigned the residual of the proceeds of issue after deducting the fair value of the liability component

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

The Group holds money on behalf of clients and this is included within cash and cash equivalents on the statement of financial position and the corresponding liability to clients is included in trade and other payables

- **Derivatives**

Derivative financial assets

Derivative financial instruments included are the profits arising on trades which may still be open at the reporting date The profit is calculated based on the exchange rate from the regular price feed prevailing at the reporting date and spreads based on the terms of the underlying contract

- **Equity instruments and dividend payments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs Share capital represents the nominal value of shares that have been issued

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date All transactions with owners of the parent are recorded separately within equity

Ordinary and preference shares

Ordinary and preference shares are classified as equity

2. Accounting policies (continued)

- **Reserves**

<u>Equity element of compound financial instruments</u>

In accordance with the provisions of IAS 32 "Financial Instruments Disclosure and Presentation", the Directors were of the opinion that the long term loans which the subsidiary, Alpari (UK) Limited, received from related parties contained an equity element, and as a 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 In 2009, the reserve was reclassified to retained earnings as the underlying financial instrument was no longer in existence

At the period end, there are no other reserves except retained earnings which comprise of distributable profits Amount of distributable profits is limited by the minimum capital adequacy requirement

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, market deposits and other short-term deposits held by the Group with maturities of less than three months

The Group holds money on behalf of clients and this is included within cash and cash equivalents on the statement of financial position and the corresponding liability to clients is included in trade and other payables

2.9 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its depreciable tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount Recoverable amount is the higher of fair value less costs to sell and value in use of the asset (or cash-generating unit) In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

2. Accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole Provisions are discounted at their present values, where the time value of money is material

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised

2.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business of the Group, net of discounts and sales related taxes

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred can be measured reliably, and when also the criteria for each of the Group's different activities have been met These activity-specific recognition criteria are described below

- **Trading income**

  Trading income represents gains and losses on foreign currency trading on a trade date basis, net of any commissions expensed Open positions are carried at fair market value and any gains and losses on this valuation are recognised in revenue as well as gains and losses resulting from the closed positions

2. Accounting policies (continued)

- **Interest income**

  Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

2.12 Retirement benefit costs

The Group operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund The scheme is funded by payments from the Group and from the employees The Group's contributions are expensed as incurred and are included in staff costs The Group has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods

Payments made to state-managed retirement benefit schemes (e g Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan The Group's contributions are expensed as incurred and are included in staff costs The Group has no legal or constructive obligations to pay further contributions if the government scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods

2.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred

Borrowing costs include interest expense as well as bank charges

2.14 Foreign currency translation

- **Functional and presentation currency**

  Items included in the Group's financial statements are measured using the currency of the primary economic environment ("the functional currency") The functional currency of parent company, the subsidiaries Alpari Deutschland GmbH and Alpari Technologies Limited is the Euro The functional currency of the subsidiary company Alpari (UK) Ltd is the British Pound, and the subsidiary company Alpari Forex (India) Pvt Ltd is the Indian Rupee The consolidated financial statements are presented in British Pounds (GB£), which is the Group's presentation currency

- **Transactions and balances**

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss

2. Accounting policies (continued)

- **Translation to presentation currency**

The assets and liabilities of the Group (including comparatives) are expressed in British Pounds (GB£) using exchange rates prevailing on the reporting date Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used Exchange differences arising are recognised in other comprehensive income and transferred to the translation reserve

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in British Pounds (GB£) using exchange rates prevailing on the reporting date Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used Exchange differences arising are recognised in other comprehensive income and transferred to the translation reserve Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of

2.15 Tax

Income tax expense represents the sum of the tax currently payable and deferred tax

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

3. Critical accounting estimates and judgement

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

- **Significant management judgement**

  The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements

  Revenue recognition

  The Group applies the provisions of IAS18 for accounting for revenue recognised when the flow of economic benefit associated with the transaction is either probable or at fair value and the revenue can be reliability measured

  Trading revenue represents gains and losses on foreign currency and CFD (Contract for Difference) trading on a trade date basis and any commissions earned on individual trades Open positions are carried at fair value and any gains and losses on this valuation are recognised in revenue as well as gains and losses resulting from the closed positions Commission or any fees paid relating to the trades is recorded within administrative expenses Cost relating to promotional incentives from credit campaigns which are eligible for conversion into a client balance is also recorded within administrative expenses

  Bank and other deposit interest received and interest paid is included in financial income and costs respectively

  Leases

  In some cases, the lease transactions and /or the lease agreements are not conclusive on the classification of leases as per IAS 17, and management uses judgement in determining whether each lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, or otherwise is an operating lease

  Provisions

  The management exercises significant judgement in assessing whether a certain situation gives rise to a present obligation and in determining that this obligation will lead to a probable outflow of economic resources Based on these judgements it is decided whether or not to recognise a provision for a liability in the consolidated statement of financial position

3. Critical accounting estimates and judgement (continued)

- **Estimation uncertainty**

The Group makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

<u>Income taxes</u>

Significant estimates are made in determining the provision for income taxes There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

<u>Useful lives of depreciable assets</u>

Management reviews the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Group Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable

<u>Business combinations</u>

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary Any measurement changes upon initial recognition would affect the measurement of goodwill

<u>Fair value of financial assets</u>

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date The fair value of the financial assets available for sale has been estimated based on the fair value of their individual assets

Notes to the consolidated financial statements (continued)

Year ended 31 December 2010

4. Financial risk management

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk, other market risks and concentration, compliance and regulatory risk and IT risk arising from the financial instruments held

- **Interest rate risk**

The Group has no interest bearing liabilities The interest bearing assets are held in bank and financial institutions all of which are considered reputable and financially stable by the directors The risk exposure below has been calculated on the basis of closing balances held at the bank and with prime brokers Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates The Group's income and operating cash flows are substantially dependent of changes in market interest rates as the Group has significant interest-bearing assets The Group is not exposed to interest rate risk in relation to its non-current borrowings The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly

At the reporting date the interest rate profile of interest- bearing financial instruments was

	2010	2009
	GB£	GB£
Fixed rate instruments		
Financial assets - Bank deposits	**446.735**	292 724
Financial assets-Subordinate loan	**1.870.849**	-
Variable rate instruments		
Financial assets - Bank deposits	**88.213.352**	54 192 168
	90.530.936	54.484.892

Sensitivity analysis

An increase of 100 basis points (1,00%) in interest rates during the year ended 31 December 2010 would have increased profit or loss and other comprehensive income by the amounts shown below This analysis assumes that all other variables, in particular foreign currency rates, remain constant For an equivalent decrease there would be an equal and opposite impact on the profit or loss and other comprehensive income

	Profit or loss		**Other comprehensive income**	
	2010	2009	**2010**	2009
	GB£	GB£	**GB£**	GB£
Variable rate instruments	882.134	541 922	-	-
	882.134	541.922	-	-

4. Financial risk management (continued)

- **Credit risk**

Management believes that the Group has exposure to credit risk only in respect of its clients However, the Group processes all deals of its clients through an automated system which will close client positions out automatically when the client's initial deposit is reduced to 20% of the relevant margin 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 Group will suffer a loss

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was

	2010 UK£	2009 UK£
Trade receivables	**1.163.486**	801 087
Subordinate loan	**1.870.849**	-
Derivative financial assets	**9.511.003**	5 576 214
	12.545.338	6.377.301

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match An unmatched position potentially can increase the risk of losses The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities

The Group's current ratio (current assets current liabilities) is 1 53 (2009 1 33) thus providing sufficient coverage to the Group's financial obligations including those of long term nature During the year liquidity was maintained through the accumulation of profits from current and previous years The Group has forecast it has sufficient financial resources to meet its financial obligations as they fall due

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meets its margin requirements and liabilities as they fall due

In order to monitor liquidity and manage the risk, a review is undertaken by Alpari (UK) Limited on a weekly basis of the funds available against the liabilities due as at that date for the trading company, which determines headroom or short falls

4. Financial risk management (continued)

As at the end of the reporting period, the position of Alpari (UK) Limited was as follows

	2010	2009
	GB£	GB£
Client monies held at instant access	53 752 336	35 879 271
Other cash and cash equivalent	34 907 751	18 605 874
Total	88.660.087	54.485.145

The following tables detail the Group's remaining contractual maturity for its financial liabilities The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay The table includes both interest and principal cash flows

31 December 2010	Carrying amounts GB£	Contractual cash flow GB£	3 months or less GB£	3-12 months GB£	1-2 years GB£	2-5 years GB£	More than 5 years GB£
Trade payable- Client Balances (Note 17)	58 899 194	58 899 194	58 899 194	-	-	-	-
Other trade payables (Note 17)	517 575	517 575	517 575	-	-	-	-
Accruals and deferred income (Note 17)	2 251 307	2 251 307	2 251 307	-	-	-	-
Other payables (Note 17)	1 155 856	1 155 856	217 717	-	-	444 658	493 481
Shareholders' current account (Note 17)	108 798	108 798	108 798	-	-	-	-
Derivative Financial Liabilities (Note 18)	485 553	485 553	485 553	-	-	-	-
Provisions (Note 15)	265 000	265 000	-	-	-	-	265 000
	63.683.283	63.683.283	62.480.144		-	444.658	758.481

4. Financial risk management (continued)

31 December 2009	Carrying amounts GB£	Contractual cash flow GB£	3 months or less GB£	3-12 months GB£	1-2 years GB£	2-5 years GB£	More than 5 years GB£
Trade payable- Client Balances (Note 17)	42 687 787	42 687 787	42 687 787	-	-	-	-
Other trade payables (Note 17)	191 350	191 350	191 350	-	-	-	-
Accruals and deferred income (Note 17)	822 854	822 854	822 854	-	-	-	-
Other payables (Note 17)	921 447	921 447	338 358	-	-	296 439	286 650
Shareholders' current account (Note 17)	114 635	114 635	114 635	-	-	-	-
Derivative Financial Liabilities (Note 18)	199 344	199 344	199 344	-	-	-	-
Provisions (Note 15)	265 000	265 000	-	-		-	265 000
	45.202.417	45.202.417	44.354.328			296.439	551.650

- **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the Group entities The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar The Group's objective for keeping higher USD funds (assets) is to provide maximum funds as leverage for trading and the Group's prime brokers currently accept collateral only in USD The other factor that the Directors consider is floating profit or loss on the open positions The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly

The Group's exposure to foreign currency risk was as follows

	Liabilities		**Assets**	
	2010	2009	**2010**	2009
	GB£	GB£	**GB£**	GB£
United States Dollars	**34.772.176**	25 613 192	**48.294.144**	27 432 663
Euro	**12.977.574**	10 865 386	**15.717.288**	11 237 743
Swiss Franc	**756.238**	640 019	**1.854.947**	1 056 369
Japanese Yen	**2.318.842**	1 009 536	**3.275.394**	723 680
Australian Dollars	**0**	0	**26.999**	0
	50.824.830	38.128.133	**69.168.772**	40.450.455

Sensitivity analysis

A 10% strengthening of the British Pounds against the following currencies at 31 December 2010 would have increased/ (decreased) profit or loss and other comprehensive income by the amounts shown below This analysis assumes that all other variables, in particular interest rates, remain constant For a 10% weakening of the British Pounds against the relevant currency, there would be an equal and opposite impact on profit or loss and other comprehensive income

4. Financial risk management (continued)

	Profit or loss 2010 GB£	Profit or loss 2009 GB£	Other comprehensive income 2010 GB£	Other comprehensive income 2009 GB£
Umted States Dollars	**1.352.197**	181 947	-	-
Euro	**273.971**	37 236	-	-
Swiss Franc	**109.871**	41 635	-	-
Japanese Yen	**95.655**	(28 586)	-	-
Australian Dollars	**2.700**	0	-	-
	1.834.394	232.232	-	-

The analysis does not include the impact on other comprehensive income of a strengthening of British Pounds arising from the translation from the functional to the presentation currency

- **Other market risks and concentration**

The Group currently has four banks and three prime brokers to keep its assets and facilitate operations - all with approved financial institutions The Group has also designed its hedging and trading desk policy allowing management to monitor market risks The policy is reviewed by directors on a regular basis

5. Other risk management

- **Compliance and regulatory risk**

Alpari (UK) Ltd is required to comply with Financial Services Authority in the UK A procedure is in place to ensure that these requirements are met, which is overseen by the directors and the Compliance Officer

- **IT risk**

Due to the nature of the business, technology is integral to the Group Failure of technology would expose the Group to reputational damage, loss of revenue and customer dissatisfaction To minimize the company's exposure rigorous testing is carried out when new technology is introduced or any changes are implemented

6. Financial assets and liabilities

6.1. Carrying amount

The carrying amount of financial assets and liabilities included in the consolidated statement of financial position are as follows

The company classified its financial assets and liabilities at 31 December 2010 as follows:	**At fair value through profit or loss GB£**	**At amortised cost GB£**	**Total carrying value GB£**
Financial assets			
Financial asset held for trading			
Derivative financial asset	9 511 003	-	9 511 003
Loans and receivables			
Trade and other receivables	-	3 034 335	3 034 335
Cash and cash equivalent	-	88 660 087	88 660 087
	9.511.003	91.694.422	101.205.425
Financial liabilities			
Financial liabilities held for trading			
Derivative financial liabilities	485 553	-	485 553
Borrowings and payables			
Trade and other payables	-	63 138 676	63 138 676
	485.553	63.138.676	63.624.229

The company classified its financial assets and liabilities at 31 December 2009 as follows:	**At fair value through profit or loss GB£**	**At amortised cost GB£**	**Total carrying value GB£**
Financial assets			
Financial asset held for trading			
Derivative financial asset	5 576 214	-	5 576 214
Loans and receivables			
Trade and other receivables	-	801 087	801 087
Cash and cash equivalent	-	54 485 145	54 485 145
	5.576.214	55.286.232	60.862.446
Financial liabilities			
Financial liabilities held for trading			
Derivative financial liabilities	199 344	-	199 344
Borrowings and payables			
Trade and other payables	-	44 861 546	44 861 546
	199.344	44.861.546	45.060.890

6.2. Fair values

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date

The following analysis presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy Based on the significance of inputs used in measuring the fair value, this hierarchy groups financial assets and liabilities into three levels as follows

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 inputs for the asset or liability that are not based on observable market data

31 December 2010	**Level 1** GB£	**Level 2** GB£	**Level 3** GB£	**Fair values** **GB£**
Financial assets				
Derivative instruments	-	9 511 003	-	**9 511,003**
	-	9,511,003	-	**9,511,003**
Financial liabilities				
Derivative instruments	-	(485 553)	-	**(485,553)**
	-	(485,553)	-	**(485,553)**

31 December 2009	**Level 1** GB£	**Level 2** GB£	**Level 3** GB£	**Fair values** **GB£**
Financial assets				
Derivative instruments	-	5 576 214	-	**5,576,214**
	-	5,576,214	-	**5,576,214**
Financial liabilities				
Derivative instruments	-	(199 344)	-	**(199 344)**
	-	(199,344)	-	**(199,344)**

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments

The Company's derivatives are level two financial instruments and are derived directly from market foreign exchange rates, indices and share prices

7. Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to meet regulatory capital requirements at all times

The objectives are primarily met by managing the market risks that the Group faces on a regular basis

There have been no changes in the Group's management of capital and the minimum capital requirement during the year The Group capital has been in excess of the capital requirement though out the period

The Group has surplus cash at the reporting date, and it has adequate forecast financial resources in order to meet its liabilities as they fall due

In the opinion of the directors, the Group is a going concern based on the increase in revenue, net deposits and in the number of new clients which have been forecasted in line with the Group's expansion plans and are adequate to meet the capital requirements

In light of the above, the going concern basis of accounting is deemed to be appropriate for the Group

Regulatory requirement

Alpari (UK) Ltd is regulated by the Financial Services Authority (FSA), and is required to adhere to a minimum capital requirement Capital is represented by issued share capital and reserves The capital requirements are derived from credit risk, operational risk, market risk and counter party risk

Capital resources, capital requirements and capital surplus at the end of the year are calculated using the following amounts

	2010 GB£	2009 GB£
Share capital and reserves	33 314 000	11 470 000
Regulatory capital requirements	(14 316 000)	(10 198 000)
Surplus	**18,998,000**	**1,272,000**

The regulatory capital requirements are calculated daily and monitored on an intraday basis The regulatory capital requirements and resources are reported to the Alpari (UK) Board of Directors and the FSA on a monthly basis

8. Property, plant and equipment

	Leasehold improvements	Computer Equipment	Furniture and fittings	Property reinstatement	Motor Vehicle	Total
	GB£	GB£	GB£	GB£	GB£	GB£
At 31 December 2008/1 January 2009	**-**	**296 007**	**19 534**	**-**	**-**	**315 541**
Additions	1 086 986	507 203	540 503	265 000	-	2 399 692
Disposals	-	(800)	-	-	-	(800)
Exchange differences	-	1 229	1 392	-	-	2 621
At 31 December 2009/1 January 2010	**1.086.986**	**803.639**	**561 429**	**265.000**	**-**	**2 717 054**
Additions	-	562 956	125 776	-	14 146	702 878
Disposals	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
At 31 December 2010	**1.086 986**	**1.366 595**	**687 205**	**265.000**	**14.146**	**3 419 932**
Depreciation						
At 31 December 2008/1 January 2009	-	179 887	7 528	-	-	187 415
Charge for the year	72 466	228 662	138 127	17 667	-	456 922
On disposals	-	(300)	-	-	-	(300)
Exchange differences	-	410	348	-	--	758
At 31 December 2009/1 January 2010	**72.466**	**408 659**	**146.003**	**17.667**	**-**	**644.795**
Charge for the year	88 660	413 406	137 316	1 472	4 715	645 569
On disposals	-	-	-	-	-	-
Exchange differences	-	(151)	(320)	-	-	(471)
At 31 December 2010	**161 126**	**821 914**	**282 999**	**19.139**	**4.715**	**1 289.893**
Net book amount						
At 31 December 2010	**925.860**	**544 681**	**404.206**	**245.861**	**9.431**	**2.130.039**
At 31 December 2009	1 014 520	394 980	415 426	247 333	-	2 072 259

9. Trade and other receivables

	2010 GB£	2009 GB£
Trade receivables	1 163 486	801 087
Subordinate loan (see below)	1 870 850	-
Deposits and prepayments	1 161 087	746 660
	4,195,423	1,547,747

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above

There were no financial assets that were past due at the reporting date

Trade and other receivables include £1 870 849 of a sub-ordinate loan made to Alpari US LLC during the year, which is due for full repayment within the year at the rate of 0 2% interest per annum payable on maturity date

10. Derivative financial assets

	2010 GB£	2009 GB£
Gains on client open positions	9 511 003	5 489 846
Gains on hedged open positions	-	86 368
	9,511,003	5,576,214

For further information refer to note 13

11. Cash and cash equivalents

	2010 GB£	2009 GB£
Cash in hand	-	253
Cash at bank	88 660 087	54 484 892
	88,660,087	54,485,145

The effective interest rate on demand deposits was 0,13% (2009 0,13%)

Included within cash and cash equivalents are deposits held by banks for providing merchant services - Barclays GB£16 034 (2009 GB£309 614) and HSBC GB£375 000 (2009 GB£375 000) The control of these monies lays with the banks until such time the liability relating to Card Processing agreements has expired

The cash and cash equivalent also includes amounts held with Prime Broker The requirement is that the company deposits an amount sufficient to cover all open positions with the Prime Broker Alpari (UK) Limited had open positions of GB£224 499 at the end of the reporting year (2009 GB£434 513), however voluntarily kept GB£16 186 362 (2009 GB£8 364 875) on deposit with the Prime Broker

11. Cash and cash equivalents (continued)

Credit quality of bank balances

The credit quality of the banks in which the Group keeps its deposits is assessed by reference to the credit rating of these banks The bank balances of the Group are allocated based on the Short Term or Long Term Issuer credit ratings (as appropriate) of the corresponding banks as follows

	2010 GB£	2009 GB£
AAA / Aaa	-	292.839
BBB- / Baa3	-	2.827
P-1	86.744.970	53.535.410
P-2	444.989	-
Other institutions- unrated	1.470.128	653.816
	88.660.087	54.484.892

The unrated institutions are prime brokers who have sufficient capital resource to fulfill their obligations

12. Share capital

	2010 Number of shares	2010 GB£	2009 Number of shares	2009 GB£
Authorised				
Ordinary shares of €1,71 each	1.478.300	1.721.693	1 478 300	1 721 693
Ordinary shares of US$1 each	3.000.000	1.523.608	3 000 000	1 523 608
Preference Class A shares of US$1 each	100	61	100	61
Issued and fully paid				
Ordinary shares of €1,71 each				
On 1 January	1.478.300	1.721.693	1 478 300	1 721 693
At 31 December	1 478.300	1.721.693	1 478 300	1 721 693
Ordinary shares of US$1 each				
On 1 January	3.000.000	1.523.608	-	-
Issue of shares	-	-	3 000 000	1 523 608
At 31 December	3.000.000	1.523.608	3 000 000	1 523 608
Preference Class A shares of US$1 each				
On 1 January	100	61	-	-
Issue of shares	-	-	100	61
At 31 December	100	61	100	61
Total at 31 December		3.245.362		3.245.362

12. Share capital (continued)

Authorised capital
On 17 April 2008 the authorised share capital of the Company was increased by US$3 000 000 divided into 3 000 000 ordinary shares of US$1 each and on 24 August 2009 the share capital was increased by 100 preference shares of US$1 each

Issued capital
On 15 July 2009, the Company issued US$3 000 000 divided into 3 000 000 ordinary shares of US$1 each and on 24 August 2009 also issued 100 preference shares of US$1 each

Preference Class A shares
Preference class A share have no voting rights They shall be entitled to receive dividend in preference to ordinary shares in respect of profits

13. Derivative financial instruments

Forward foreign exchange contracts specify the rate at which two currencies will be exchanged at a future date The exchange rate agreed is determined when the deal is made Forward foreign exchange contracts are revalued daily (using the current exchange rates) by calculating the new forward rate until the settlement of the contract, based on the current market rates

The Group utilises the following derivative instruments for trading and economic hedging purposes

	2010			2009		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	GB£	GB£	GB£	GB£	GB£	GB£
Foreign currency derivatives						
Forward contracts	-	-	224 499	1 998 838	-	87 738
Open client positions	31 384 246	9 511 003	261 054	(13 890 047)	5 373 547	83 045
Total trading derivatives	**31.384.246**	**9.511.003**	**485.553**	(11.891.209)	5.373.547	170 783

At 31 December 2010, if the prices of the derivatives asset and liability has been 100 basis points (1,00%) (benchmark consistent with prior years) higher or lower with all other variables held constant, pre-tax profit for the year would have been GB£313 842 and GB£0 respectively (2009 GB£138 900 and GB£19 988) higher or lower, mainly as a result of fluctuation in price

14. Deferred tax

Deferred tax is calculated in full on all temporary differences using the applicable tax rates of the respective entities within the Group (Note 25)

The movement on the deferred taxation account is as follows

Deferred tax liability

	Accelerated tax depreciation GB£
At 1 January 2009	-
Charged / (credited) to	
Profit or loss (Note 23)	69 722
At 31 December 2009/ 1 January 2010	69 722
Charged / (credited) to	
Profit or loss (Note 23)	(57 609)
At 31 December 2010	**12.113**

15. Provisions

	Dilapidation provision GB£	Total GB£
At 1 January 2009	**69.000**	**69.000**
Additional provision during the year	265 000	265 000
Utilised during the year	(69 000)	(69 000)
At 31 December 2009/ 1 January 2010	**265.000**	**265.000**
Additional provision during the year	-	-
Utilised during the year	-	-
At 31 December 2010	**265.000**	**265.000**

The dilapidation provision represents management's best estimate of the Company's liability payable to the landlord on termination of the lease at the current premises

16. Borrowings

Andrey Vedikhin as director of Alpari (UK) Limited, 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 Alpari (UK) Limited by paying part of Alpari (UK) Limited's setup and running costs Andrey Dashin, a former director of Alpari (UK) Limited, provided a loan while being a director Subordinated loans provided by the directors were approved by the Financial Services Authority (FSA)

In 2007, management of Alpari (UK) Limited retrospectively adopted provisions of IAS 32 "Financial Instruments Presentation" The directors were of the opinion that the long term loans which the Alpari (UK) Ltd received from its related parties contained an equity element, and as a 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, which was released to the Retained earnings reserve in 2009

17. Trade and other payables

	2010	2009
	GB£	GB£
Trade payables- Client Balances	58.899.194	42.687.787
Other trade payables	517.575	191.350
Shareholders' current accounts - credit balances (Note 26 2)	108.798	114.635
Accruals and deferred income	2.251.307	822.854
Social security and taxes	205.946	123.473
Other payables	1.155.856	921.447
	63.138.676	44.861.546

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above

The other payables include GB£ 938 139 (2009 GB£ 583 089) of rent incentives which are being recognised in line with SIC 15 "Operating Leases - Incentives", over the course of the lease term of the Alpari (UK) Limited's London offices

18. Derivative financial liabilities

	2010	2009
	GB£	GB£
Losses on client open positions	261 054	199 344
Losses on hedged open positions	224 499	-
	485.553	199.344

For further information refer to note 13

19. Current tax liabilities

	2010	2009
	GB£	GB£
Corporation tax	3.268.486	1.348.048
	3.268.486	1.348.048

20. Revenue

	2010	2009
	GB£	GB£
Trading income	58.964.319	31.418.991
	58.964.319	31.418.991

Notes to the consolidated financial statements (continued)

Year ended 31 December 2010

21. Operating profit

	2010 GB£	2009 GB£
Operating profit is stated after charging the following items		
Depreciation of property, plant and equipment (Note 8)	645.569	456.922
Staff costs including directors in their executive capacity (Note 19)	7.503.735	5.257 632
Auditors' remuneration	81.604	62 416
Operating lease rentals	1.215.861	960.986

22. Staff costs

	2010 GB£	2009 GB£
Wages and salaries	6.345.632	4.709.420
Social insurance costs and other funds	921.974	415.519
Pensions - defined contribution plans	236.129	132.693
	7.503.735	5.257.632
Average number of employees (including directors in their executive capacity)	121	87

22.1 Key management compensation

The remuneration of Directors and other members of key management were as follows

	2010 GB£	2009 GB£
Short term employee benefits		
Salaries including bonuses	706.956	580.526
Social security costs	103.849	71.842
Compensation for loss of office	111.911	-
Post employment benefits		
Defined contribution pension plans	31.736	22.704
	954.452	675.072

23. Finance income / cost

	2010	2009
	GB£	GB£
Exchange profit	40.832	2.966
Finance income	40.832	2.966
Net foreign exchange transaction losses	-	1.092.683
Interest expense	328	223
Other finance expenses	819.282	272.090
Finance costs	819.610	1.364.996
Net finance (costs) / income	(778.778)	(1.362.030)

24. Profit from investing activities

	2010	2009
	GB£	GB£
Interest income	116.666	68.736
	116.666	68.736

25. Taxation expense

	2010	2009
	GB£	GB£
Corporation tax - current year	8.006.387	2.126.496
Deferred tax – (credit) / charge (Note 14)	(57 609)	69.722
Charge for the year	7.948.778	2.196.218

The Group entities operate in different countries and therefore are subject to different corporation tax rates as follows

UK	28%
India	30%
Germany	31%

<u>Cyprus tax</u>:

The Company is subject to corporation tax on its taxable profits at the rate of 10%

Under certain conditions interest is subject either to income tax or to defence contribution at the rate of 10% Therefore, in both cases the effective tax rate is 10% In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows

	2010	2009
	GB£	GB£
Profit before tax	28.310.590	7.772.681
Tax calculated at the applicable tax rates	7.901.805	777.268
Tax effect of expenses not deductible for tax purposes	38.705	36.345
Tax effect of allowances and income not subject to tax	54.610	(85.758)
Tax effect of tax losses brought forward	-	2
Adjustment in relation to prior period	19.539	-
Other timing difference	(8.272)	-
Deferred tax	(57.609)	69.722
Tax charge	7.948.778	2.196.218

26. Related party transactions

The following transactions were carried out with related parties

26.1 Transactions with other related parties

Payments made to Alpari Emirates, a company with common shareholders, for expenses incurred by Alpari Emirates during the year were GB£811 189 (2009 GB£390 711) Total balance due at the period end from Alpari Emirates was GB£ nil (2009 GB£ nil)

Alpari US LLC, a company with common shareholders was granted a US$3 000 000 subordinate loan payable in full within the next 12 month period with interest at the rate of 0,20% per annum payable on maturity date

Payments made to Alpari US LLC during the year for shared costs was GB£862 709 (2009 GB£ nil) and as part of introduced business agreement amounted to GB£ 56 094 (2009 GB£ nil) Total balance due at the period end to Alpari US LLC was GB£60 983 (2009 GB£ nil)

26.2 Shareholders' current accounts - credit balances (Note 18)

	2010 GB£	2009 GB£
Shareholders account	108.798	114.635
	108.798	114.635

The shareholders' current accounts are interest free, and have no specified repayment date

27. Investment in subsidiaries

As at 31 December 2010 the Company had the following subsidiaries

Name of subsidiary	Country of incorporation	Principal activities	Direct holding %
Alpari (UK) Ltd	United Kingdom	Currency trading	100
Alpari Forex (India) Private Ltd	India	Sales and marketing office	100
Alpari Deutschland GmbH	Germany	Sales and marketing office	100
Alpari Technologies Limited	Cyprus	Research and development	100

Any transactions between the subsidiaries and the Company during the year were eliminated on consolidation

Subsidiary companies established in the year do not meet the definition of a business and therefore no business combination occurred in the year

28. Contingent liabilities

At 31 December 2010 and 31 December 2009 there were no contingent liabilities applicable to the Group

29. Commitments

Capital commitments

The Group has no capital commitments at the reporting date

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2010 GB£	2009 GB£
Within one year	588.634	638.924
Between one and five years	3.351.332	3.407.305
After five years	6.710.256	8.870.120
	10.650.222	12.916.349

GB£10 065 384 (2009 GB£ 12 319 611) relates to the lease for the London premises of Alpari (UK) Limited which terminates in January 2024 The lease commenced on 14 January 2009 and the rent review dates are 14 January 2014 and 2019 There are no restrictions imposed by the lease arrangements

30. Events after the end of the reporting year

On 8 February 2011, the Company incorporated a subsidiary in United Arab Emirates, Alpari ME DMCC

On 11 February 2011, Alpari (UK) Limited incorporated a subsidiary in Australia, Alpari (AU) PTY LTD

On 1 June 2011, the Company incorporated a subsidiary in Belize, Mertens International Limited

On 2 August 2011, Mertens International Limited incorporated a subsidiary in Cyprus, Alpari Development Limited

On incorporation, Alpari (Cyprus) Limited have invested GB £ 3 999 155 (€4 600 000) as capital injection within Mertens International Limited

Mertens International Limited invested the €4 600 000 as a capital injection into Alpari Development Limited The money was utilised to part-fund an acquisition of a property in Cyprus for a total value of €8m

On 9 August 2011, Alpari Technologies Limited incorporated a subsidiary in Russia, Alpari Technology (RU) Limited

On 12 July 2011, Alpari Technologies Limited registered a subsidiary in Russia, Alpari Technology KZN Limited

Notes to the consolidated financial statements (continued)

Year ended 31 December 2010

30. Events after the end of the reporting year (continued)

On 31 March 2011, Alpari (UK) Ltd acquired the 100% share capital of a Japanese entity to expand their business within the Far East, Alpari Japan KK The total consideration paid was GB£ 4 748 133

If the acquisition had taken place on the first day of the year, then the contribution of the acquired company would have been GB£4 324 of revenue and GB£ 399 876 of net losses

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