

Alpari (UK) Limited 52841042

FINANCIAL STATEMENTS

For the year ended 31 December 2012

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Directors and advisors

Directors

A Vedikhin
D Stuart (Resigned on 1 October 2012)
D Skowronski
D Hodge (Appointed on 1 July 2012)
M Tovmasyan (Appointed on 1 November 2012)
A Khafizov (Appointed on 13 March 2013)

Registered Office

201 Bishopsgate
London
EC2M 3AB

Company Registered Number

5284142

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

RBC Bank Plc
Riverbank house
2 Swan Lane
London
EC4R 3BF

Bank of America Merrill Lynch
5 Canada Square
London
E14 5AQ

Prime Broker

Morgan Stanley & Co. International PLC
25 Cabot Square
Canary Wharf
London
E14 4QA

Citigroup Global Markets Ltd
Citigroup Centre
Canada Square
Canary Wharf
E14 5LB

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

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

The clientele of the business is diverse ranging from individual traders, money managers and institutional clients worldwide.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Review of business and future developments

The year 2012 was an extremely challenging one for the whole industry with consistently low levels of volatility and FX trading volumes at their lowest point since 2006. Continuing uncertainty in the global economic recovery and the lack of news to drive markets has impacted the trading behaviour of existing and new clients. Alpari (UK) compared favourably, it achieved trading volumes of \$692 billion in 2012, a year on year reduction of 25% (2011: \$924 billion).

The loss before taxation was £10,611,573 (2011: profit £8,863,361). The decrease in profits is due to a combination of market effect, falling revenues and increase in operating expenses of 47%. The main increase in expenses was broker rebates, premises costs, staff costs and marketing.

The company made several changes during the course of 2012 to the strategic configuration of the business. Firstly, there was a change in the top layer of the business which saw Andrey Vedikhin move up to the role of Chairman, Daniel Skowronski (the former Chief Commercial Officer) appointed as the new Chief Executive Officer and two new appointments to the Board; David Hodge (Chief Marketing Officer) and Mushegh Tovmasyan (Chief Business Development Officer). David Stuart (Chief Operations Officer) left the business in October 2012.

The key challenge for the new senior management team was to develop a business model that would return the company back to profitability. A new strategy was developed in September 2012 and focuses on four key areas.

- (i) Growing revenue through the implementation of a new trading model;
- (ii) Improving profitability,
- (iii) Improvements to product offer and client experience, and
- (iv) Corporate governance.

(i) Growing revenue

From a trading perspective the business has moved from a predominant market making model to a hybrid model where the majority of retail clients are now on an agency model, where trades are entered into with the market back to back. This significant change was implemented in December 2012 and early indications are a stabilisation of the trading income line.

Within the Broker to Broker market the business has continued its growth trajectory mainly due to improvements in technology and product offering. Additionally, regulatory tightening globally has forced many smaller foreign exchange brokers to shift to an agency model which has resulted in an increased demand for Alpari prime services.

Directors' Report (continued)

The building of the Quantum FX infrastructure was completed by the end of Q2, 2012 and the company continues to invest in developing the Quantum FX brand for the long term. The results of this investment have started to be realised as the business recorded monthly profitability at the back end of 2012. Quantum FX should now be poised to deliver consistent profit growth during 2013.

We continue to invest in building the Alpari brand on the global stage to ensure we grow our client base and constantly look for opportunities to do this in a cost efficient way. In January 2012, we announced a long term sponsorship deal with the World Match Racing Tour which has now been re-branded as the Alpari World Match Racing Tour. There are also other brand initiatives which are being developed across the globe.

(ii) Improving profitability

The business has taken a balanced approach to the cost base to ensure optimum efficiency levels.

Marketing costs have been reduced by employing a more effective operating model that relies less on expensive agency providers and more on in-house capabilities and greater centralisation of initiatives to realise scalable benefits.

In July 2012, we launched our in house developed Electronic Communication Network ('ECN') enabling improved pricing from Liquidity Providers and a reduction in aggregator fees.

(iii) Improvements in product offer and client experience

Our focus remains on offering a diverse range of products and bringing new initiatives to enhance our clients trading experience.

In the early part of Q1 2012, we pushed our new financial spread betting product which offered tax free trading to clients on Meta Trader 4 ('MT4') which helped improve trading activity levels and recruiting new clients. In April 2012, Alpari was the first major FX broker to launch MetaTrader 5, (MT5) a new platform from Metaquotes. Client uptake has been steadily increasing throughout the year and we expect client numbers and activity to continue to grow throughout 2013.

Our proprietary ECN launched in June 2012 improved execution and available liquidity to clients of our MT4 platforms.

The Alpari Newsroom was launched in October 2012. The Newsroom is a hub providing up to the minute market news in a variety of formats which has proved popular with both clients and journalists.

In November, we launched a social media portal for traders called Trader Connect. This portal creates a community for clients enabling them to discuss ideas and with the 'copy me' function follow the activity of other traders.

We also rolled out a new client management tool, MyAlpari in November 2012. This tool which is being gradually rolled out to our global client base provides a dedicated portal for clients to manage their accounts. User feedback has been extremely positive.

Directors' Report (continued)

(iv) Corporate Governance

The Directors are highly focused on governance across the business and use the following forums to ensure strong compliance across the business

- (i) Board meetings are conducted on a monthly basis with all Directors in attendance. In addition, two in house Legal Counsel are present to document minutes of the meeting. The role of the Board is to set the strategy, review operational and financial performance, review internal controls and risk management and approve large scale commercial initiatives
- (ii) The Remuneration Committee consists of all members of the Board. The Remuneration Committee meets quarterly to ensure that remuneration across the business complies with the FCA Remuneration Code
- (iii) The Risk Committee has been set up to monitor risk across all functions of the business and meets quarterly to assess the risk management framework by department. In addition, the weekly operational meeting that involves all the operational heads has a specific agenda item to discuss any risk issues that may have occurred

Compliance is heavily involved in all aspects of the business decision making process. Over the last 12 months we have increased the size of our team to ensure they can meet the demands of the business

Future Developments

Whilst 2012 has been a challenging year for the business a number of fundamental changes were made to the business model in the third quarter and new initiatives rolled out that give the Directors confidence of a return to profitability in 2013

Key performance indicators (KPIs)

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

To measure financial performance:

	2012 £	2011 £	(Decrease) %
(Loss)/profit before tax	(10,611,573)	8,863,361	(219)

To measure growth:

	2012	2011	Increase %
Number of trading accounts	116,320	95,049	22

To measure trading activity:

	2012 \$bn	2011 \$bn	(Decrease) %
Trading volume	692	924	(25)

Directors' Report (continued)

Principal risks and uncertainties

The Company is exposed to operational and financial risks. The principal financial risk was currency risk and is further detailed in note 18.

The principal operating risks are as follows:

Compliance & regulatory risks

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

Information Technology risks

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.

Liquidity Risks

Is the risk that the Company will be unable to meet payment obligations as they fall due. Liquidity risk is managed by ensuring that the Company has sufficient liquidity to meet our broker margin requirements and other financial liabilities when due.

Directors

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

A Vedikhin

D Skowronski

D Stuart (Date of resignation 1 October 2012)

D Hodge (Date of appointment 1 July 2012)

M Tovmasyan (Date of appointment 2 November 2012)

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 (IFRSs) as adopted by the European Union. 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;

Directors' Report (continued)

- 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.

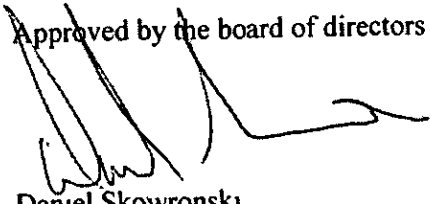
The directors confirm that:

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

Reappointment of Auditors

Grant Thornton UK LLP has expressed their willingness to continue in office, and 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



Daniel Skowronski
Director

18 April 2013

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 2012 which comprise Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, 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 Directors' Responsibilities Statement set out on page 7, 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 2012 and of its loss 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



Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
18 April 2013

Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	2012 £	2011 £
Revenue		55,960,171	54,453,270
Other operating income		892,859	-
Administrative expenses		(67,584,061)	(45,760,506)
Operating (loss)/profit	3	(10,731,031)	8,692,764
Finance income	6	119,458	170,597
(Loss)/profit before tax		(10,611,573)	8,863,361
Taxation	7	2,646,920	(2,491,695)
(Loss)/profit for the year and total comprehensive income		(7,964,653)	6,371,666

The Company has no items of other comprehensive income and therefore a single Statement of Comprehensive Income has been presented

Statement of Financial Position As at 31 December 2012

	Notes	2012 £	2011 £
Non-current assets			
Property, plant and equipment	8	2,625,401	1,777,836
Investments in subsidiaries	9	6,913,195	6,615,758
Non-current receivables	10	-	666,560
		<u>9,538,596</u>	<u>9,060,154</u>
Current assets			
Trade and other receivables	11	12,269,530	11,253,866
Derivative financial assets	12	17,786,266	12,522,930
Current tax receivable		-	2,143,627
Cash and cash equivalents	13	99,979,011	113,251,821
Deferred tax asset	14	149,181	642
Current tax asset		<u>2,574,670</u>	<u>-</u>
		<u>132,758,658</u>	<u>139,172,886</u>
TOTAL ASSETS		<u>142,297,254</u>	<u>148,233,040</u>
Non-current liabilities			
Provisions	15	416,325	416,325
		<u>416,325</u>	<u>416,325</u>
Current liabilities			
Trade and other payables	16	108,071,229	107,005,213
Derivative financial liabilities	17	2,207,330	1,244,479
		<u>110,278,559</u>	<u>108,249,692</u>
TOTAL LIABILITIES		<u>110,694,884</u>	<u>108,665,375</u>
NET ASSETS		<u>31,602,370</u>	<u>39,567,023</u>
EQUITY			
Share capital	19	3,228,514	3,228,514
Retained earnings		28,373,856	36,338,509
Equity attributable to owners of the parent		<u>31,602,370</u>	<u>39,567,023</u>

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

Daniel Skowronski

18 April 2013

Alpari (UK) Limited

Statement of Changes in Equity For the year ended 31 December 2012

	Share Capital	Retained Earnings	Total equity
	£	£	£
Balance as at 1 January 2011	3,228,514	34,106,347	37,334,861
Total comprehensive income for the year	-	6,371,666	6,371,666
Dividend declared and paid during the year	-	(4,139,504)	(4,139,504)
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2012	3,228,514	36,338,509	39,567,023
Total comprehensive deficit for the year	-	(7,964,653)	(7,797,972)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2012	<u>3,228,514</u>	<u>28,373,856</u>	<u>31,769,051</u>

Alpari (UK) Limited

Statement of Cash Flow

For the year ended 31 December 2012

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 £71,573,315 (2011 £88,312,101)

	Notes	2012 £	2011 £
CASHFLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(10,611,573)	8,863,361
Adjustments for non cash and other reconciling items	20	(2,857,911)	314,020
Net change in working capital	20	(4,250,133)	37,673,701
Tax received/(paid)		2,067,338	(7,900,000)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(15,652,279)	38,951,082
CASHFLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	8	(1,495,672)	(270,272)
Investment in subsidiary	9	(297,437)	(1,041,428)
Net outflow on acquisition of subsidiary		-	(4,748,133)
Amounts advanced from/(to) related parties		666,560	(3,940,968)
Interest received		119,458	170,597
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,007,091)	(9,830,204)
FINANCING ACTIVITIES			
Dividends paid		-	(4,139,505)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		-	(4,139,505)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		(16,659,370)	24,981,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		113,251,821	88,171,793
Exchange differences on cash and cash equivalents		3,386,560	98,655
CASH AND CASH EQUIVALENTS AT END OF YEAR		99,979,011	113,251,821

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

Notes to the Financial Statements

1 General 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 reliably measured

Trading revenue represents gains and losses on foreign currency, precious metals and CFD (Contracts 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 closed positions. Commission or any fees paid relating to the trades is recorded within administrative expenses. Costs relating to promotional incentives from credit campaigns which are eligible for conversion into a client balance are offset against trading revenue

Bank and other deposit interest received and interest paid is accounted for on the accruals basis and is included in financial income and costs respectively

Provisions are made against client loss when amounts are not deemed recoverable

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

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

2 Basis of Accounting (continued)

Investment in subsidiaries

Investments in subsidiary are stated at cost less impairment

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 the Statement of Comprehensive 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 in the Statement of Comprehensive 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

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

2 Basis of Accounting (continued)

Taxation (continued)

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 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. Deferred tax is not discounted

Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. 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 and liabilities

Derivative financial instruments included are the profit on trades which may still be open at the reporting date for which there is a contractual obligation. The fair value 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

Loans granted

Loans granted by the Company 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

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

2 Basis of Accounting (continued)

Loans granted (continued)

An allowance for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the impairment 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.

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.

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 Company 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. Lease incentives are 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

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.

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

2 Basis of Accounting (continued)

Significant management judgement in applying accounting policies

i) Estimation of uncertainty

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2012, 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.

ii) 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 (Loss)/Profit	2012 £	2011 £
	Operating (loss)/profit is stated after charging		
	Depreciation	648,107	583,272
	Net foreign exchange loss	471,820	372,265
	Operating leases – land and buildings	1,289,137	1,164,047
4	Auditors Remuneration	2012 £	2011 £
	Fees payable to the auditors for the audit of the financial statements	70,000	70,000
	Other services relating to taxation	11,100	3,000
		<u>81,100</u>	<u>73,000</u>

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

5	Employee Information	2012	2011
		£	£
	The aggregate employment costs for all employees including Directors, under a contract of service:		
	Wages and salaries	8,562,109	7,719,441
	Social security costs	1,042,427	901,921
	Pensions - defined contribution plans	464,015	333,997
	Employee benefit expense	<u>10,068,551</u>	<u>8,955,360</u>
	Key management compensation (1)	2012	2012
		£	£
	Short term employee benefits		
	Salaries including bonuses	1,562,136	750,836
	Social security costs	210,424	119,787
	Total short term employee benefits	<u>1,772,560</u>	<u>870,623</u>
	Post employment benefits		
	Defined contribution pension plans	74,949	44,000
	Total post employment benefits	<u>74,949</u>	<u>44,000</u>

The total number of directors accruing benefits under a money purchase pension scheme is 4 (2011 3)

Aggregate remuneration payable to the highest paid director for the year was £1,162,354 (2011 £389,630) and the Company's contribution with respect to money purchase pension scheme was £37,615 (2011 30,000).

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

The average number of employees, including Directors, during the year is set out below:

	2012	2011
	No.	No.
Trading	8	8
Back office	15	16
Client Services	39	37
Administration	92	47
Sales and Marketing	38	30
	<u>192</u>	<u>138</u>

The total number of employees, including Directors, as at 31 December 2012 was 161 (2011 155)

6	Finance Income	2012	2011
		£	£
	Bank interest receivable and similar income	<u>119,458</u>	<u>170,597</u>

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

7	Taxation on (loss)/profit from ordinary activities	2012 £	2011 £
a)	Analysis of charge in the period		
	Current tax.		
	UK corporation tax on (loss)/profit of the year	-	2,498,381
	Adjustments in respect of previous year	(2,498,381)	580
	Total current tax	(2,498,381)	2,498,961
	Deferred tax (see note 14)		
	Origination and reversal of timing differences	(148,590)	(7,266)
	Adjustments in respect of previous period	51	-
	Tax on (loss)/profit on ordinary activities	(2,646,920)	2,491,695
b)	Factors affecting tax charge for the year		
	The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below		
		2012 £	2011 £
	(Loss)/profit on ordinary activities before taxation	(10,611,573)	8,863,361
	(Loss)/profit on ordinary activities at the standard rate of corporation tax rate 24.5% (2011: 26.5%)	(2,599,835)	2,348,791
	Effects of		
	Expenses not deductible for tax purposes	38,303	81,418
	Depreciation in excess of capital allowances in the year	67,478	65,222
	Other timing differences	-	3,596
	Adjustments in respect of prior period	(187,960)	580
	Change in tax rate	35,094	(646)
	Current tax charge (as per note (a))	(2,646,920)	2,498,961

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

8 Property Plant and Equipment

	Leasehold improvements £	Property reinstatement £	Computer equipment £	Fixtures and fitting £	Total £
Cost					
As at 1 January 2012	1,109,986	416,325	1,433,084	565,895	3,525,290
Additions	822,494	-	355,014	318,164	1,495,672
As at 31 December 2012	1,932,480	416,325	1,788,098	884,059	5,020,962
Accumulated depreciation					
As at 1 January 2012	235,361	64,640	1,135,040	312,413	1,747,454
Charge for year	132,381	23,507	349,307	142,912	648,107
At 31 December 2012	367,742	88,147	1,484,347	455,325	2,395,561
Net carrying value at 31 December 2012	1,564,738	328,178	303,751	428,734	2,625,401
Cost					
As at 1 January 2011	1,086,986	265,000	1,231,855	519,852	3,103,693
Additions	23,000	151,325	201,229	46,043	421,597
As at 31 December 2011	1,109,986	416,325	1,433,084	565,895	3,525,290
Accumulated depreciation					
As at 1 January 2011	161,126	19,139	755,998	227,919	1,164,182
Charge for year	74,235	29,307	379,042	84,494	567,078
Adjustment for prior year	-	16,194	-	-	16,194
At 31 December 2011	235,361	64,640	1,135,040	312,413	1,747,454
Net carrying value at 31 December 2011	874,625	351,685	298,044	253,482	1,777,836

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

9 Investments in Subsidiaries

	£
Cost	
As at 1 January 2011	826,197
Additions	5,789,561
As at 1 January 2012	6,615,758
Additions	297,437
As at 31 December 2012	6,913,195

The additions during the year relate to the acquisition of Alpari Japan K K, increase in investment within Alpari Financial Services (India) Pvt Ltd (formerly Alpari Forex (India) Private Limited) and the incorporation of Alpari (Singapore) PTE Ltd and Alpari (AU) PTY Ltd.

Name of company	Country of incorporation	Holding	Proportion of voting rights held	Nature of business
Alpari Financial Services (India) Pvt Ltd (formerly Alpari Forex (India) Private Limited)	India	99%	100%	Sales and marketing office
Alpari (Deutschland) GmbH	Germany	100%	100%	Sales and marketing office
Alpari (AU) PTY Ltd	Australia	100%	100%	Dormant
Alpari Japan K.K	Japan	100%	100%	Trading entity
Alpari (Singapore) PTE Ltd	Singapore	100%	100%	Dormant

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 subsidiaries are as follows

Alpari Financial Services (India) Pvt Ltd - 31 March 2012
 Alpari (Deutschland) GmbH - 31 December 2012
 Alpari Japan K K - 31 March 2012
 Alpari (AU) PTY Ltd - 30 June 2012
 Alpari (Singapore) PTE Ltd - 31 December 2012

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

10	Non-current receivables	2012 £	2011 £
	Subordinated loan (see below)	-	666,560
		<u>-</u>	<u>666,560</u>

In the prior year, the company had provided a loan of €800,000 to Alpari Financial Services Limited, a company incorporated in Cyprus and which has ultimate common shareholders, which was repaid during 2012

11	Trade and Other Receivables	2012 £	2011 £
	Trade and other receivables	2,471,878	3,121,974
	Amounts owed by group undertakings	3,598,579	-
	Subordinated loan (see below)	3,078,154	5,145,257
	Prepayments and accrued income	3,120,919	2,986,635
		<u>12,269,530</u>	<u>11,253,866</u>

The fair value of trade and other receivables due within one year is approximately equal to their carrying amounts as presented above

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

In November 2012, Alpari US LLC repaid \$3m (2011:\$nil) out of the \$8m of subordinated loan outstanding in the prior year. The remaining \$5m is now due for full repayment within the year at the rate of 0.2% interest per annum payable on the date of maturity. Further detail is included in note 22.

12	Derivative financial assets	2012 £	2011 £
	Gains on client open positions	17,733,983	12,120,992
	Gains on hedged open positions	52,283	401,938
		<u>17,786,266</u>	<u>12,522,930</u>

13	Cash and cash equivalent	2012 £	2011 £
	Cash and cash equivalent with Prime Brokers	21,216,197	20,027,197
	Client monies held at instant access	71,573,315	88,312,102
	Other cash and cash equivalent	7,189,499	4,912,522
		<u>99,979,011</u>	<u>113,251,821</u>

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

13 Cash and cash equivalent (continued)

The requirement is that the company deposits an amount sufficient to cover all open positions with the Prime Broker. The company had net open positions of £1,025,874 (loss) at the end of the reporting period (2011 gain £401,938), however voluntarily kept £21,216,197 (2011: £20,027,197) on deposit with the Prime Broker.

Included within other cash and cash equivalent are deposits held by HSBC for providing merchant services- £376,211 30 (2011 £375,648) The control of these monies lays with the banks until such time the liability relating to Card Processing agreements have expired

Credit quality of bank balances

The credit quality of the banks 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:

	2012	2011
	£	£
P-1	65,736,688	110,878,341
P-2	31,298,872	1,500,000
Other institutions- unrated	<u>2,943,451</u>	<u>873,480</u>
	<u>99,979,011</u>	<u>113,251,821</u>

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

14	Deferred Taxation	2012	2011
		£	£
	As at 1 January 2012	(642)	6,624
	Movement in the year	(148,539)	(7,266)
	As at 31 December 2012	<u>(149,181)</u>	<u>(642)</u>
	Deferred tax liability/(asset) comprises	2012	2011
		£	£
	Accelerated capital allowances	666	10,369
	Losses carried forward	(136,388)	-
	Other timing differences	(12,817)	(11,011)
		<u>(148,539)</u>	<u>(642)</u>

15 Provisions

	2012	2011
	£	£
Non-current provision	416,325	416,325
	<u>416,325</u>	<u>416,325</u>

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

15 Provision (continued)

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	Trade and Other payables	2012 £	2011 £
	Trade payables - client balances	101,383,709	101,029,135
	Other trade payables	707,641	1,065,529
	Amount owed to group undertakings	1,916,522	-
	Accruals and deferred income	1,766,226	2,716,045
	Social security and taxes	258,844	228,936
	Other payables	2,038,287	1,965,568
		<u>108,071,229</u>	<u>107,005,213</u>

17	Derivative financial liabilities	2012 £	2011 £
	Losses on client open positions	1,129,173	1,244,479
	Losses on hedged open positions	1,078,157	-
		<u>2,207,330</u>	<u>1,244,479</u>

18 Financial Instruments: Presentation

Currency risk

Directors believe it to be essential to continually 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 US\$. The Company's objective for keeping higher US\$ funds (assets) is to provide maximum funds as leverage for trading. 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 2012

Currencies	Assets	Liability	Net Exposure	Exchange Rate	Exposure Value in GBP
USD	\$128,397,806	(\$109,704,924)	\$18,692,882	1.62435	11,507,915
EUR	€29,638,064	(€21,961,819)	€7,676,246	1.23091	6,236,236
CHF	CHF 3,454,329	(CHF 1,847,803)	CHF 1,606,526	1.48608	1,081,049
JPY	JPY 17,707,973	(JPY 27,804,186)	(JPY 10,096,212)	140.717	(71,748)
AUD	AUD 398,745	(AUD 7,492)	AUD 391,253	1.56457	250,071
TOTAL					<u>19,003,544</u>

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

18 Financial Instruments: Presentation (continued)

The company had the following currency exposure as at the 31 December 2011

Currencies	Assets	Liability	Net Exposure	Exchange Rate	Exposure Value in GBP
USD	\$112,498,888	(\$100,150,649)	\$12,348,238	1.55483	7,941,857
EUR	€30,772,786	(€26,853,294)	€3,919,492	1.20019	3,265,726
CHF	CHF 5,560,368	(CHF 3,604,251)	CHF 1,956,117	1.46015	1,339,669
JPY	JPY 130,962,760	(JPY 29,852,744)	JPY 101,110,016	119.598	845,416
AUD	AUD 951,821	-	AUD 951,821	1.52319	624,887
TOTAL					14,017,555

Income statement impact of reasonably possible changes in foreign exchange rates at 31 December 2012 is as follows

Currencies	Exchange Rate 5%	In GBP 5%	Exchange Rate 10%	In GBP 10%	Exchange Rate 15%	In GBP 15%
USD	\$934,644	575,396	\$1,869,288	1,150,792	\$2,803,932	1,726,187
EUR	€383,812	311,813	€767,625	623,626	€1,151,437	935,438
CHF	CHF 80,326	54,052	CHF 160,653	108,105	CHF 240,979	162,157
JPY	(JPY504,811)	(3,587)	(JPY 1,009,621)	(7,175)	(JPY1,514,432)	(10,762)
AUD	AUD 19,563	12,504	AUD 39,125	25,007	AUD 58,688	37,511
TOTAL		950,178		1,900,355		2,850,531

Income statement impact of reasonably possible changes in foreign exchange rates at 31 December 2011 is as follows:

Currencies	Exchange Rate 5%	In GBP 5%	Exchange Rate 10%	In GBP 10%	Exchange Rate 15%	In GBP 15%
USD	\$617,412	397,093	\$1,234,824	794,186	\$1,852,236	1,191,279
EUR	€195,975	163,286	€391,949	326,572	€587,924	489,858
CHF	CHF 97,806	66,983	CHF 195,612	133,967	CHF 293,418	200,950
JPY	JPY5,055,504	42,271	JPY 10,111,002	84,542	JPY15,166,502	126,812
AUD	AUD 47,590	31,244	AUD 95,182	62,489	AUD 142,773	93,733
TOTAL		700,877		1,401,756		2,102,632

Exposure to foreign currency assets may affect the Company's profit or loss. At 31 December 2012, if GBP had strengthened by 10% against other currencies with all variables held constant, pre-tax profit for the year would have been reduced by £1,900,354 (2011: £1,401,755), mainly as a result of foreign currency assets exceeding liabilities. The figure in question was calculated as the net exposure shown in the table below multiplied by the relevant percentage. There would be a similar and opposite effect if sterling weakened by the same amount.

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

18 Financial Instruments: Presentation (continued)

Exposure to foreign currency assets may affect the Company's profit or loss. There would be an equal and opposite effect if sterling weakened by the same amount.

Market risk

The Company was not exposed to material market risks during the year.

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 FCA 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 1.20 (2011: 1.29) thus providing sufficient coverage to the Company's financial obligations including those of long term nature. During the year liquidity was maintained through profits accumulated in 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 meet 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:

	2012 £	2011 £
Client monies held at instant access	71,573,315	88,312,102
Other cash and cash equivalent	28,405,696	24,939,719
TOTAL	99,979,011	113,251,821

The following tables detail the Company'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 Company can be required to pay. The table includes both interest and principal cash flows.

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

18 Financial Instruments. Presentation (continued)

31 December 2012	Carrying amounts £	Contractual cash flow £	3 months or less £	3-12 months £	1-2 years £	2-5 years £	More than 5 years £
Trade payable- Client Balances (Note 16)	101,383,709	101,383,709	101,383,709	-	-	-	-
Other trade payables (Note 16)	2,400,409	2,400,409	2,400,409	-	-	-	-
Accruals and deferred income (Note 16)	1,611,829	1,611,829	1,611,829	-	-	-	-
Other payables (Note 16)	2,038,288	2,038,288	216,986	147,099	196,132	588,397	889,674
Derivative Financial Liabilities (Note 17)	2,545,751	2,545,751	2,545,751	-	-	-	-
Provisions (Note 15)	416,325	416,325	-	-	-	-	416,325
	<u>110,396,311</u>	<u>110,396,311</u>	<u>108,158,684</u>	<u>147,099</u>	<u>196,132</u>	<u>588,397</u>	<u>1,305,999</u>

31 December 2011	Carrying amounts £	Contractual cash flow £	3 months or less £	3-12 months £	1-2 years £	2-5 years £	More than 5 years £
Trade payable- Client Balances (Note 16)	101,029,135	101,029,135	101,029,135	-	-	-	-
Other trade payables (Note 16)	1,065,529	1,065,529	1,065,529	-	-	-	-
Accruals and deferred income (Note 16)	2,716,045	2,716,045	2,716,045	-	-	-	-
Other payables (Note 16)	1,965,569	1,965,569	547,864	26,368	183,377	507,649	700,311
Derivative Financial Liabilities (Note 17)	1,244,479	1,244,479	1,244,478	-	-	-	-
Provisions (Note 15)	416,325	416,325	-	-	-	-	416,325
	<u>108,437,081</u>	<u>108,437,081</u>	<u>106,603,051</u>	<u>26,368</u>	<u>183,377</u>	<u>507,649</u>	<u>1,116,636</u>

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.

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

18 Financial Instruments Presentation (continued)

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 (2011: £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 three banks and two prime brokers 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.

The Company has a large number of active accounts. The over exposure is mitigated by diversification of trades and conditions offered to existing and new clients.

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 2012 as follows:

	At fair value through profit and loss £	At amortised cost £	Total carrying value £
Financial assets			
<i>Financial assets held for trading</i>			
Derivative financial asset	17,786,266	-	17,786,266
<i>Loans and receivables</i>			
Trade and other receivables	-	12,375,188	12,375,188
Cash and cash equivalents	-	99,979,011	99,979,011
TOTAL	17,786,266	112,354,199	130,140,465
Financial liabilities			
	At fair value through profit and loss £	At amortised cost £	Total carrying value £
<i>Financial liabilities held for trading</i>			
Derivative financial liabilities	2,207,330	-	2,207,330
<i>Borrowings and payables</i>			
Trade and other payables	-	108,071,229	108,071,229
TOTAL	2,207,330	108,071,229	110,278,559

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

18 Financial Instruments Presentation (continued)

The Company classified its financial assets and liabilities at 31 December 2011 as follows:

	At fair value through profit and loss £	At amortised cost £	Total carrying value £
Financial assets			
<i>Financial assets held for trading</i>			
Derivative financial asset	12,522,930	-	12,522,930
<i>Loans and receivables</i>			
Trade and other receivables	-	11,253,866	11,253,866
Cash and cash equivalents	-	113,251,821	113,251,821
TOTAL	<u>12,522,930</u>	<u>124,505,687</u>	<u>137,028,617</u>
	At fair value through profit and loss £	At amortised cost £	Total carrying value £
Derivative financial liabilities	1,244,479	-	1,244,479
<i>Borrowings and payables</i>			
Trade and other payables	-	107,005,213	107,005,213
TOTAL	<u>1,244,479</u>	<u>107,005,213</u>	<u>108,249,692</u>

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 Company 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.

19	Equity share capital	2012 £	2011 £
	Authorised Ordinary shares of £1	10,000,000	10,000,000
	Shares issued and fully paid 1 January 2012	3,228,514	3,228,514
	31 December 2012	<u>3,228,514</u>	<u>3,228,514</u>

Alpari (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

20	Cash flow adjustments and changes in working capital	2012 £	2011 £
	Adjustments		
	Depreciation of property, plant and equipment	648,107	583,272
	Foreign exchange gains	(3,386,560)	(98,655)
	Interest and dividend income	(119,458)	(170,597)
	Total adjustments	(2,857,911)	314,020
	Net changes in working capital:	2012 £	2011 £
	Change in trade and other receivables	735,860	(4,048,910)
	Change in derivative financial assets	(5,263,336)	(3,011,927)
	Change in trade and other payables	(791,165)	43,975,612
	Change in derivative financial liabilities	962,851	758,926
	Total changes in working capital	(4,355,790)	37,673,701

21 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 Conduct Authority (FCA), 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

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

	2012 £'000	2011 £'000
Capital reserves	23,995	31,436
Capital requirements	23,035	26,378
Surplus	960	5,058

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 FCA 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's capital has been in excess of the capital requirement throughout the period.

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

21 Capital Management (continued)

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 trading volumes
- Increase in number of trading 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

22 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 £2,898,910 (2011 £1,784,124) Total balance due at the period end to Alpari Emirates was £261,312 (2011 £113,635)

Alpari Financial Services Pvt. Ltd (formerly Alpari Forex (India) Pvt Ltd), a subsidiary of the company was paid £214,162 (2011 £442,963) for expenses during the year. Total balance due at the period end from Alpari Forex (India) Pvt Ltd was £44,347 (2011 £151,491) The debtor arises as payments on account are made to the subsidiary

Alpari ME DMCC, a newly formed sister company within the group was paid £1,025,071 for set up and running costs during the year Total balance due at the period end from the entity was £424,766. The debtor arises as the set up costs will be repaid to Alpari (UK) Limited from future profits

Payments made to Alpari (Deutschland) GmbH, a subsidiary of the company, for expenses during the year were £1,785,399 (2011 £1,347,047) Total balance due at period end to Alpari (Deutschland) GmbH was £166,457 (2011. £113,634)

Alpari Japan K K was acquired on 31 March 2012 Total payments made to them during the year were £2,162,414, except the payment of the acquisition costs Total balance due at the period end to Alpari Japan K K was £418,303

Alpari US LLC, a company with common shareholders has repaid the \$3,000,000 subordinate loan during the year 2012. The remaining balance of \$5,000,000 is payable in full within the next 12 month of the reporting date with interest at the rate of 0 2% per annum payable on maturity date, please refer to note 11.

Furthermore, payments made for shared costs and profit share during the year were £8,691,801 (2011. £2,902,303) Total balance due at the period end from Alpari US LLC for the shared costs, was £758,745 (2011 due to £92,046)

Alpari Technologies Limited were paid £1,177,727 11 (2011. £nil) for expenses during the year Total balances due from Alpari Technologies were 1,721,537 (2011 £nil)

Alpari Financial Services were not paid any expenses during the year Total balances due from Alpari Financial Services were £259,616 (2011 £nil) During the year Alpari Financial Services provided

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

23 Related Party Transactions (continued)

clearing services to Alpari (UK) Limited Under this agreement, Alpari Financial Services were paid £6,262,538 (2011 £nil)

For details of the subordinated loan provided to Alpari Financial Services Limited in 2012, please refer to Note 10

24 Operating Lease Commitments

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

	2012 £	2011 £
Land and buildings		
Not later than one year	1,273,856	854,465
Later than one year but not more than five years	5,095,424	5,095,424
Later than five years	7,371,215	8,645,071
	<u>13,740,495</u>	<u>14,594,960</u>

The increase in operating commitment relate to the extension in office space acquired at 201 Bishopsgate as part of a lease which commenced on 30 August 2012 and will terminate alongside the existing term on 13 January 2024

23 Contingent Liabilities

From 12 October 2011, 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

From 12 October 2012, the Company agreed to act as a guarantor of a loan granted to Alpari Development Limited (a Cyprus based entity with common shareholders) for the amount of €4,550,000 The Company undertake to pay to the lender (the Bank) upon demand any amount due by Alpari Development Limited to the Bank and continue the repayment of the loan to the Bank pursuant to the relative loan agreement in case Alpari Development Limited fails and/or neglects to do so

At 31 December 2012 and 31 December 2011 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 2012 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 Group Limited (formerly Alpari (Cyprus) Limited), a company incorporated in Cyprus

Alpari (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

27. Pillar 3 Disclosures

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

28. Post-reporting date events

No issues to report as post-reporting date events

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 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)

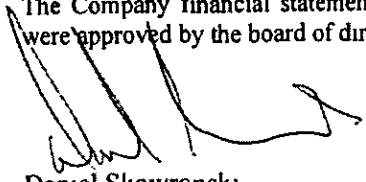
30. New standard or interpretation in issue not applied early (continued)

- IAS 19 Employee Benefits (Revised June 2012) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2012)
- Deferred Tax Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

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

31. Authorisation of Financial Statements

The Company financial statements for the year ended 31 December 2012 (including comparatives) were approved by the board of directors on 18 April 2013



Daniel Skowronski
Director

Alpari (UK) Limited

ALPARI (UK) LIMITED

Detailed Statement of Comprehensive Income

Account for the year ended

31 DECEMBER 2012

Alpari (UK) Limited

**DETAILED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 December 2012**

	2012 £	2011 £
Revenue		
Trading book profit or loss	(12,269,739)	2,444,730
Clients' profit or loss	68,229,910	51,966,988
	<u>55,960,171</u>	<u>54,411,718</u>
Finance and other operating income		
Miscellaneous income	892,859	41,552
Deposit account interest	119,458	170,597
	<u>56,972,488</u>	<u>54,623,867</u>
Gross profit		
Administrative expenses		
Margin rebate	23,371,139	14,105,352
Rent	863,232	907,831
Service charges	224,465	129,518
Rates and water	493,298	301,743
Insurance	209,732	205,015
Directors' salaries	1,847,509	748,031
Wages & salaries	8,389,198	7,663,469
Social security	1,252,851	1,021,708
Employer's Pension contribution	538,963	377,997
Recruitment expenses	195,342	364,390
Telecommunication & internet	88,924	84,093
Printing, postage & stationary	15,761	15,311
Subsistence	7,364	7,769
Travelling	101,633	67,768
Repairs & maintenance	18,178	41,804
Premises & cleaning	75,719	60,549
Computer consumable	46,512	49,150
Training costs	30,950	30,612
Datacentre services	511,958	444,585
Sundry expenses	29,307	16,518
Audit & Accountancy	58,400	76,641
Staff Welfare	27,811	18,220
Legal fees	53,677	253,394
Professional fees	271,976	559,484
Foreign office expenses	5,683,154	3,511,446
Advertising	13,866,404	7,444,834
Information system sub	544,664	648,125
Other subscription	459,449	425,570
Capitalised items under £1,000	1,105	9,771
Charitable donations	168	-
Exchange fee	140,995	139,604
Depreciation of tangible fixed assets		
- Fixtures & fittings	142,912	84,494
- Computer equipment	349,307	379,042
- Leasehold Property	155,889	119,736

Alpari (UK) Limited

**DETAILED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31
December 2012 (continued)**

	2012 £	2011 £
Refreshments	22,829	19,213
Regulatory fee	1,725,802	934,854
Fines & Penalties	-	-
Irrecoverable VAT	1,690,629	1,180,613
Entertainment	260,054	224,298
Bad debt write off	901,597	1,352,665
	<u>64,668,857</u>	<u>44,025,217</u>
Finance costs		
Bank charges	2,443,365	1,351,900
Bank Interest payable	19	2,610
Loan interest payable	-	8,514
Exchange rate variance	471,820	372,265
	<u>(10,611,573)</u>	<u>8,863,361</u>
(Loss)/profit on ordinary activities before taxation		

These pages do not form part of the statutory financial statements