

Company's registered number: 05367727

ACTIVTRADES PLC
REPORT AND FINANCIAL STATEMENTS
For the year ended
31 December 2012



ACTIVTRADES PLC

CONTENTS

Page(s)

Directors and advisers

2

Directors' report

3-8

Statement of directors' responsibilities

9

Independent auditors' report to the members of ActivTrades PLC

10-11

Profit and loss account

12

Balance sheet

13

Cash flow statement

14

Notes to the financial statements

15-34

ACTIVTRADES PLC

DIRECTORS AND ADVISERS

DIRECTORS

A Pusco
A Draghi
J Scarabino

SECRETARY

J Friend

REGISTERED OFFICE

1 Thomas More Square
London
E1W 1YN

BANKERS

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
7 More London Riverside
London
SE1 2RT

TAX ADVISORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
7 More London Riverside
London
SE1 2RT

COMPANY'S REGISTERED NUMBER

05367727

ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012

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

Activities

ActivTrades PLC ("ActivTrades" or the "Company") is a financial markets broker specialising in offering customers online trading of contracts for difference (CFD) in foreign currencies, indices, equities, commodities and treasuries. The Company also provides access to futures markets. The Company is authorised and regulated by the Financial Services Authority and its permissions allow it to provide services to UK and Non-UK based customers.

Key performance indicators

Success in online trading of CFD business is generally measured by profit before tax, number of new accounts and total new deposits. The market volatility and global macro economy also have an impact on the Company's performance. The Company achieved a steady growth in total new deposits, hence, an increase in total client equity during the year 2012.

Review of business and results for the year

The Company maintained its growth in client base and market share in 2012 due to successful targeted marketing campaigns, investment in its sales team, the on-going partnerships with introducing brokers and introduction of various new products, such as spread betting products and CFD on individual shares.

Although low market volatility and slow economic recovery have reduced the revenue year on year by 28.9%, the Company has been consistently implementing its strategies, entering emerging markets, introducing new products, investing in marketing to gain market share and increase brand awareness, offering quality services, improving IT infrastructure and improving the control environment.

During 2012, the Company has introduced a more advanced trading platform (MetaTrader 5) to all of its customers. Compared to the existing one (MetaTrader 4), the new platform has better execution and enhanced stability.

In order to further improve the efficiency of all systems and the effectiveness of risk control, the Company acquired the business of an IT support company, Tick Systems Limited, without acquiring the company itself. The acquired business was established as ActivTrades PLC Sofia Branch in Bulgaria in April, 2012. The amount of 23,291 BGL paid to acquire the business was equal to the fair value of the assets acquired. Thus, no goodwill arose from the acquisition. The number of employees in Sofia Branch has grown to 32. These employees are responsible for risk control, IT maintenance and system development (including the back office system and the trading system) together with sales and support for Bulgarian and Russian customers.

As a result of bringing experienced individuals into business, the Company has strengthened its control environment and organisation structure. Moreover, the Company has been working closely with leading independent consultants in the industry to enhance its brand and customers' confidence.

ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012 (continued)

ActivTrades made firm progress in 2012, particularly in retaining customer base, obtaining new deposits and increasing market share. These allow the Company to enter 2013 in a stronger position. The continued future success of the Company will be dependent on investing efficiently in both marketing and infrastructure. As there are positive signs of global economic recovery in 2013, ActivTrades is determined to provide the best service to its customers and maximise its financial returns.

Principal risks and uncertainties

Systems and controls are in place to secure the managing and mitigation of risks at all times.

Monitoring of risk management is not delegated to a sub-committee due to the size of the Company but handled by senior management including the Board.

The following are the key risks as viewed by management:

- Operational risk
- Credit risk and
- Market risk

These are discussed in the Pillar 3 disclosures, below.

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

Pillar 3 disclosures

The following information is provided pursuant to the Pillar 3 disclosure rules as laid out by the Financial Services Authority ("FSA") in section 11 of its Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

Background

The FSA has implemented a prudential framework for investment firms through changes to the FSA Handbook of Rules and Guidance (specifically in BIPRU). The framework consists of three "pillars":

- Pillar 1 sets out the minimum capital requirements,
- Pillar 2 is an assessment of whether additional capital is needed over and above that determined under Pillar 1, and
- Pillar 3 requires the Company to publish its objectives and policies in relation to risk management, information on its risk exposures and capital resources as well as disclosures with respect to FSA's "Remuneration Code".

The rules provide that disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. ActivTrades PLC is a "BIPRU €730,000 Full Scope Firm", engaged in financial markets broking and specialising in offering customers online trading of CFDs in foreign currencies, indices, commodities and treasuries. The Company also provides access to futures markets. The Company has permission to hold client money and its clients are mainly categorised as "Retail" clients. As a consequence the main risks facing the Company are market, credit and operational as well as those relating to its business environment.

The disclosures below are the required Pillar 3 disclosures which apply to the Company.

ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012 (continued)

Although the Company believes the risk management framework outlined herein is appropriate for the size and complexity of the Company and that the Company's capital is adequate to meet the risks assessed, it cannot guarantee that this will actually be the case in the event any particular risk arises. There will always be some unlikely risks with unusually high impact which may require additional capital should they arise. Therefore the Company applies stress testing across a range of scenarios to help predict the future capital needs.

Risk management

The Company operates a risk management framework that sets out the responsibilities and escalation procedures for the identification, monitoring, and management of operational and business risks. Capital planning takes these identified risks into account.

Specific personnel are assigned responsibility for the risks across the Company's offices and business units. The Company's Chief Executive takes overall responsibility, with the assistance of the other executive directors and the Compliance Officer and MLRO of the Company as well as a skilled and experienced Senior Finance Manager, for identifying material risks to the Company and putting appropriate mitigating controls in place which also serve to ensure on-going compliance with laws and regulations, including the Company's requirements to comply with FSA rules.

Risks and mitigating controls are periodically reassessed, taking into account the Company's risk appetite. Where risks are identified which fall outside of the Company's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Company's mitigating controls, then actions are taken to improve the control framework.

Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk and regulatory risk. The Company considers risks which may impact the Company directly or indirectly. The most significant operational risks facing the Company would most likely be a catastrophic systems failure and unexpected losses due to malfunctioning market and liquidity controls. The Company seeks to minimise operational risk through a controls framework, particularly when engaging in new business ventures or trading new products.

Business risk

Business risk arises from external sources such as changes to the economic environment or one-off economic shocks, and also from internal sources such as poor decisions or suboptimal allocation of capital resulting in poor performance and damage to the Company's reputation.

Various different scenarios are modelled in order to assess the impact of adverse economic conditions on our financial position. This enables the Company to monitor its business risk and to assist in its capital planning.

Credit risk

The Company is exposed to credit risk mainly on cash held at large international credit and regulated institutions. The Company does not extend credit to its clients and only deals with clients that have sufficient funds on their accounts to cover margin requirements. Small credit exposures do arise on client accounts from time to time in periods of extreme intra-day market movements but these are considered to be immaterial. Consequently the Company has a limited number of credit exposures in respect of which it uses the simplified standardised approach when calculating risk weighted exposures, in accordance with the provisions of BIPRU 3.5. Credit risk calculated as at 31 December 2012 was £413,000.

ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012 (continued)

Market risk

The Company's major risk is on its market making positions in CFDs primarily on foreign currencies, therefore, principal market risk is foreign exchange risk. ActivTrades has systems in place to monitor its exposures to market risk on a real time basis at all times which allows it to take effective decisions with regard to hedging its positions as and when required. The Company calculates its Foreign Exchange risk by reference to the provisions in BIPRU 7.5 and on CFDs by reference to the provisions in BIPRU 7.3. The exposure to market risk calculated as at 31 December 2012 was £4,982,000.

Capital adequacy

As at 31 December 2012, the Company's regulatory capital resources of £11,992,000 are made up as follows:

Tier 1	£'000
Share capital	500
Audited reserves	11,623
	—
Total	12,123
Less deduction for intangible assets	(131)
	—
Total Regulatory Capital	11,992
	—

The Company's Pillar 1 capital requirement is calculated in accordance with the General Prudential Sourcebook ("GENPRU") as the higher of the Operational Risk Requirement ("ORCR"), plus the sum of market and credit risk requirements, and the base capital requirement of €730,000. The ORCR is calculated in accordance with BIPRU 6.3 and equates to 15% of the average of three years audited net operational and non-operational revenue. The Company's credit risk is calculated as per the "Standardised Approach (BIPRU 3.4)" and market risk in line with BIPRU 7. As at 31 December 2012 the Company's Pillar 1 requirement was £7,046,000.

Under Pillar 2 of the FSA's capital requirements, the Company has undertaken an assessment of the adequacy of capital based upon all the risks to which the business is exposed ("ICAAP"). As at 31 December 2012, this analysis concluded that the Company required £210,000 capital against the identified key risks and added to the Pillar 1 requirements meant the Company had to have an internal regulatory capital of £7,256,000 compared to £11,992,000 of available regulatory capital resources. It has therefore been concluded that the Company's resources are sufficient to support its operations over the next year, and no additional capital injections are necessary.

Remuneration Code

For the purposes of the "Remuneration Code" the Company is classified by the FSA as a Tier 3 firm. The Company is not part of a group and is therefore subject to these regulations on a solo basis.

ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012 (continued)

The Company operates two types of remuneration

- Fixed remuneration by way of annual salaries in line with industry scales
- Discretionary bonus payments

Remuneration is determined and reviewed annually by the Board of Directors

These arrangements are very much linked to performance. The Company does not make any guaranteed bonus commitments

Staff will be classified as code staff if they perform a significant influence function and/or manage or supervise a business unit

In 2012, seven employees were classified as code staff being the four directors of the Company as well as the Compliance Officer, the Senior Finance Manager and the Chief Technology Officer, their aggregate remuneration in 2012 amounted to £707,250 of which £238,500 was bonus payments

The Board is confident that variable remuneration is linked to the interests of the Company and does not encourage any risk taking

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Directors

The directors of the Company during the year were

A Pusco

A Gho (resigned on 21 December 2012)

A Draghi

J Scarabino

A Pusco holds 250,000 A shares and 245,000 B shares in the Company

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information

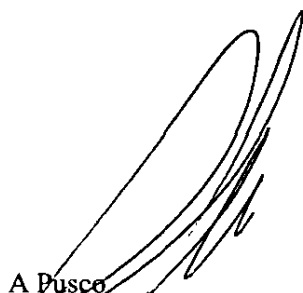
ACTIVTRADES PLC

DIRECTORS' REPORT for the year ended 31 December 2012 (continued)

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting

Approved by the Board of Directors
and signed on behalf of the Board



A Pusco
Director
28 March 2013

Company's registered number: 05367727

ACTIVTRADES PLC

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACTIVTRADES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTIVTRADES PLC

We have audited the financial statements of ActivTrades PLC for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

ACTIVTRADES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTIVTRADES PLC (continued)

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



Hamish Anderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

28 March 2013

ACTIVTRADES PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

	Notes	2012 £	2011 £
Revenue	2	14,262,126	20,060,508
Administrative expenses		(11,514,810)	(8,926,233)
Operating profit	3	2,747,316	11,134,275
Interest receivable and similar income		46,470	7,767
Profit on ordinary activities before taxation		2,793,786	11,142,042
Tax on profit on ordinary activities	7	(709,718)	(2,987,257)
Profit for the financial year		2,084,068	8,154,785

The Company's activities are all attributable to continuing operations

A reconciliation of movements in shareholders' funds is included in note 19

No statement of total recognised gains and losses is presented because there are no gains or losses in the current or prior year other than the profit for the year

The notes set out on pages 15 to 34 form part of these financial statements

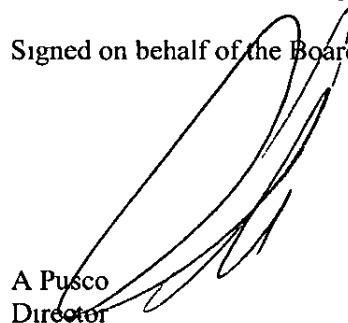
ACTIVTRADES PLC

BALANCE SHEET as at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets	9	130,612	27,148
Tangible assets	10	531,485	554,006
		<hr/> 662,097	<hr/> 581,154
Current assets			
Debtors (including £60,247 (2011 £60,247) due after one year)	11	396,968	560,788
Cash at bank and in hand	12	13,037,189	12,807,889
		<hr/> 13,434,157	<hr/> 13,368,677
Creditors: amounts falling due within one year	13	(1,973,553)	(2,668,081)
		<hr/> 11,460,604	<hr/> 10,700,596
Net current assets			
		<hr/> 12,122,701	<hr/> 11,281,750
Net assets			
		<hr/> 12,122,701	<hr/> 11,281,750
Capital and reserves			
Called up share capital	14	500,000	500,000
Profit and loss account	15	11,622,701	10,781,750
		<hr/> 12,122,701	<hr/> 11,281,750
Total Shareholders' funds	19		

The financial statements on pages 12 to 34 were approved by the directors on 28 March 2013

Signed on behalf of the Board of Directors



A Pusco
Director

Company's registered number: 05367727

The notes set out on pages 15 to 34 form part of these financial statements

ACTIVTRADES PLC**CASH FLOW STATEMENT for the year ended 31 December 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	17	3,638,571	11,427,419
Returns on investment and servicing of finance			
Interest received		46,470	7,767
Taxation		(1,826,786)	(2,099,624)
Capital expenditure			
Payments to acquire tangible fixed assets		(251,731)	(517,005)
Payments to acquire intangible fixed assets		(134,107)	(1,951)
Cash inflow before financing		1,472,417	8,816,606
Dividend paid		(1,243,117)	(1,199,545)
Increase in cash in the year	18	229,300	7,617,061

The notes set out on pages 15 to 34 form part of these financial statements

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

a. Basis of accounting and going concern

The financial statements are prepared on a going concern basis, under the historical cost convention except as modified by the revaluation of certain financial instruments, as explained in the accounting policies below, in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the requirements of the Companies Act 2006 ("the Act").

b. Presentation and disclosure

In the opinion of the Directors, disclosure of Revenues (as defined below) best reflects the nature of the Company's business as a financial markets broker specialising in offering customers online trading of contracts for difference (CFD) in foreign currencies, indices, equities, commodities and treasuries. This represents an adaptation of the profit and loss account format laid down in Schedule 4 to the Companies Act 2006.

c. Revenue

Revenue represents the net of realised and unrealised gains and losses arising from trading in CFD and futures, which are financial instruments recognised on a trade basis and fair valued through profit and loss account, and brokerage fees. Revenue also includes net interest receivable or payable on segregated customer funds and commission receivable and commission payable from / to other brokers in relation to CFDs or futures business.

d. Interest

Interest receivable represents amounts accrued on the Company's cash and interest payable represents interest and finance charges in relation to Company credit cards. These amounts are recognised in the profit and loss account on an accruals basis and are therefore recorded in the period in which they are earned or incurred.

e. Segmental analysis

The Company has a branch for marketing and sales in Milan, Italy, and another branch for IT and risk operations in Sofia, Bulgaria. These branches together with the head office in London, UK are managed as a single business based in Europe. Therefore, no further segmental analysis is presented.

f. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and less impairment. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment	3 years
Office furniture	3 years
Leasehold improvement	over term of the lease

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

g. Intangible fixed assets and amortisation

The costs of software licences and other directly attributable costs have been capitalised and amortised in equal instalments over the life of the licence which is 5 years. Provision is made for any impairment.

h. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling at exchange rate ruling at the year end. Revenue items are translated at the average rate for the year. All exchange rate differences on transactions during the year are dealt with in the profit and loss account.

i. Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

j. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

k. Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

l. Dividends

Dividends are recognised in equity in the period in which they are paid or approved by the Board of Directors.

m. Cash at bank and in hand

Cash at bank and in hand comprises current account balances, bank deposits and other short term highly liquid investments with maturity dates of less than three months.

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

n. Client money

The Company holds money on behalf of customers in accordance with the Customer Asset (CASS) rules of the Financial Services Authority (FSA). Amounts received from customers are classified as segregated client money in accordance with the FSA's requirements. The amounts held on behalf of customers at the balance sheet date and which are segregated in accordance with the FSA's requirements are stated in notes 12 and 13 and are not included in the Company's balance sheet.

o. Financial instruments

General

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

Financial assets and financial liabilities are initially measured at fair value with any resulting gains or losses recognised in the profit and loss accounts in the period in which they arise.

Amounts due from or to customers and counterparties are netted against other assets and liabilities with the same counterparty where a legally-enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade debtors and trade creditors

Where a customer's existing segregated funds are not sufficient to cover the losses arising from a customer's CFD or futures position then the Company will request that the customer deposits additional funds to cover such a shortfall. Until such deposit is made the Company will recognise a trade debtor from the customer. Experience has shown the Company that the collections of such amounts are difficult to recover and hence the Company makes a full impairment allowance against such customer trade debtors.

Derivative financial instruments

Customer positions in CFDs and futures where the Company acts as principal are financial instruments held at fair value through the Profit and Loss account. Transactions in these instruments are treated as maturing at the end of each day and re-opening the next day and they are measured on a fair value basis by reference to the underlying prices obtained from an open market. The fair value of these instruments at the end of each day may give rise to a customer making a profit or a loss by reference to the opening position on the same day. If a customer or counterparty makes a profit there will be an increase in the customer funds required to be segregated. If a customer makes a loss there will be a decrease in the customer funds required to be segregated.

Because the Company has the right to set-off at any point in time all of a customer's open positions against amounts held in the same customer's account, these profits or losses will result in a transfer of funds between the Company's bank account and the segregated client bank account to ensure the latter account has a sufficient balance to cover the segregated funds requirement. Therefore, a customer's position in CFDs or futures will never give rise to a derivative asset or liability at the Balance Sheet date.

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

The fair value gain or loss is recognised in the Company's Profit and Loss account within Revenue in the period in which it arises

As explained in the relevant note, segregated client funds are disclosed in the financial statements but they are not included in the Company's Balance Sheet

Positions in CFDs and futures between the Company and its counterparties are accounted for in the same way as customer positions

p. Economic hedges

Economic hedges are entered into for the purpose of mitigating risk relating to transactional flows arising from providing CFDs and futures to the Company's customers. They do not meet the criteria for designation as accounting hedges. Economic hedges are measured at fair value with any resulting gains or losses recognised in the profit and loss statement in the period in which they arise

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 **(continued)**

2	Revenue is analysed as follows	2012	2011
		£	£
	Trading gains and losses	16,404,366	22,905,457
	Commission receivable from other brokers	138,632	293,124
	Interest income on segregated client funds	167,661	238,723
		<u>16,710,659</u>	<u>23,437,304</u>
	Introducing brokers commission	(2,384,852)	(3,296,300)
	Commission payable to other brokers	(63,681)	(78,150)
	Interest expense on segregated funds	-	(2,346)
		<u>14,262,126</u>	<u>20,060,508</u>
3	Operating profit is stated after charging/ (crediting)	2012	2011
		£	£
	Depreciation	274,253	121,632
	Amortisation	25,754	17,068
	Services provided by the Company's auditor		
	- fees payable for audit	60,850	60,000
	- fees payable for tax services	50,296	21,180
	- fees payable for regulatory and other services	92,000	-
	Operating leases	215,719	243,347
	Foreign exchange (losses)/gains	(356,685)	442,848
		<u></u>	<u></u>
4	Employee information	2012	2011
		Number	Number
	The average monthly number of persons, including directors, employed by the Company during the year was	95	54
		<u></u>	<u></u>
		£	£
	Staff costs (including directors)		
	- wages and salaries	3,825,522	2,732,279
	- social security costs	449,797	331,608
		<u>4,275,319</u>	<u>3,063,887</u>

As a result of the acquisition of the business of Tick Systems Limited, 15 new employees joined the Company

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

5 Directors' emoluments

The total emoluments of the directors who served in the year were as follows

	2012 £	2011 £
Aggregate emoluments	319,664	210,901

The highest paid director emoluments were £158,908 (2011 £120,000) Pension contributions for the directors were £4,500 (2011 £Nil) and other benefits were £2,664 (2011 £Nil)

6 Related party transactions

A company, Padan SaGL, controlled by a director, Andrea Draghi, provides marketing and risk management consultancy to ActivTrades PLC. The total paid for these services in 2012 was £107,785 (2011 £116,166). Amounts payable at year end was £6,586 (2011 £7,475).

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

7 Tax on profit on ordinary activities	2012 £	2011 £
UK corporation tax based on the profit for the year at 24.5% (2011: 26.5%)	738,115	2,971,806
Overseas branches corporation tax	82,398	-
Double tax relief – overseas branches	(76,962)	-
	<hr/>	<hr/>
Current tax charge	743,551	2,971,806
Deferred tax charge	(33,833)	15,451
	<hr/>	<hr/>
Tax on profit on ordinary activities	709,718	2,987,257
	<hr/>	<hr/>
<i>Tax reconciliation</i>		
Profit on ordinary activities before taxation	2,793,786	11,142,042
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	684,478	2,952,641
<i>Tax effects of</i>		
Expenses not deductible for tax purposes	19,966	39,002
Pension contribution deductible on paid basis	627	-
General provision not deductible for tax purposes	4,082	-
Capital allowances in excess of depreciation	28,962	(19,837)
Overseas branches corporation tax	82,398	-
Double tax relief – overseas branches	(76,962)	-
	<hr/>	<hr/>
<i>Total current tax</i>	743,551	2,971,806
	<hr/>	<hr/>

Deferred tax

The deferred tax liability relating to capital allowances in excess of depreciation is recognised as follows

	2012 £	2011 £
At 1 January	41,782	26,331
Profit and loss account charge	(33,833)	15,451
	<hr/>	<hr/>
At 31 December (note 13)	7,949	41,782
	<hr/>	<hr/>

There was no unrecognised deferred tax asset as at 31 December 2012 (2011: £Nil). The change in the corporation tax rate to 23% does not materially impact the valuation of the deferred tax liability.

ACTIVTRADES PLC**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012
(continued)****8 Dividends**

The aggregate amount of dividends declared and paid during the year is £1,243,117
(2011 £1,199,545)

9 Intangible fixed assets**Software
Licence
£****Cost**

At 1 January 2012	85,845
Additions	134,107
Amounts written-off	(4,890)

At 31 December 2012	215,062
---------------------	---------

Accumulated amortisation

At 1 January 2012	(58,696)
Charge for the year	(25,754)

At 31 December 2012	(84,450)
---------------------	----------

Net book value

At 31 December 2012	<u>130,612</u>
---------------------	----------------

At 31 December 2011	<u>27,148</u>
---------------------	---------------

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

10 Tangible fixed assets	Computer equipment £	Office furniture £	Leasehold improvement £	Total £
Cost				
At 1 January 2012	243,372	541,008	-	784,380
Additions	236,387	967	14,377	251,731
At 31 December 2012	479,759	541,975	14,377	1,036,111
Accumulated depreciation				
At 1 January 2012	(128,269)	(102,105)	-	(230,374)
Charge for the year	(101,296)	(170,082)	(2,875)	(274,253)
At 31 December 2012	(229,565)	(272,187)	(2,875)	(504,627)
Net book value				
At 31 December 2012	250,194	269,788	11,502	531,484
At 31 December 2011	115,103	438,903	-	554,006
11 Debtors	2012 £	2011 £		
Trade debtors net of provision for doubtful accounts	42,951	288,743		
Other debtors	95,349	123,985		
Prepayment and accrued income	258,668	148,060		
	396,968	560,788		

Other debtors include £60,247 (2011 £60,247) falling due after more than one year

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

12 Cash at bank and in hand	2012	2011
	£	£
Gross cash at bank and in hand	43,331,335	39,588,222
Less funds held on behalf of customers in segregated bank accounts	<u>(30,294,146)</u>	<u>(26,780,333)</u>
	13,037,189	12,807,889
	<hr/>	<hr/>
13 Creditors: amounts falling due within one year	2012	2011
	£	£
Trade creditors	30,614,021	26,864,713
Less funds held on behalf of customers in segregated bank accounts	<u>(30,294,146)</u>	<u>(26,780,333)</u>
	<hr/>	<hr/>
Trade creditors – net of segregated funds	319,875	84,380
Other creditors	325,067	45,835
Corporation tax	258,664	1,346,787
Other taxation and social security	186,677	94,769
Accruals, provisions and deferred income	875,321	1,054,528
Deferred tax (see note 7)	7,949	41,782
	<hr/>	<hr/>
	1,973,553	2,668,081
	<hr/>	<hr/>
14 Called up share capital	2012	2011
	£	£
Issued, and fully paid		
250,000 (2011 250,000) Ordinary A shares of £1 each	250,000	250,000
250,000 (2011 250,000) Ordinary B shares of £1 each	250,000	250,000
	<hr/>	<hr/>
	500,000	500,000
	<hr/>	<hr/>

Ordinary A and B shares rank par passu with the exception that only ordinary A shares are entitled to a dividend

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

15	Profit and loss account	2012	2011
		£	£
	1 January	10,781,750	3,826,510
	Profit for the financial year	2,084,068	8,154,785
	Dividends	(1,243,117)	(1,199,545)
	At 31 December	11,622,701	10,781,750
16	Ultimate controlling party		
	The ultimate controlling party of the Company is A Pusco		
17	Reconciliation of operating profit to net cash inflow from operating activities	2012	2011
		£	£
	Operating profit	2,747,316	11,134,275
	Depreciation charge	274,253	121,632
	Amortisation charge	25,754	40,575
	Decrease in debtors	163,820	107,889
	Increase in creditors	427,428	23,049
	Net cash inflow from operating activities	3,638,571	11,427,420
18	Reconciliation of net cash flow to movement in net funds	2012	2011
		£	£
	Increase in cash in the year	229,300	7,617,061
	Net funds at 1 January	12,807,889	5,190,828
	Net funds at 31 December	13,037,189	12,807,889

ACTIVTRADES PLC**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012
(continued)**

19	Reconciliation of movements in shareholders' funds	2012 £	2011 £
	Profit for the financial year	2,084,068	8,154,785
	Dividends	(1,243,117)	(1,199,545)
		<hr/>	<hr/>
	Net movement in shareholders' funds	840,951	6,955,240
	Opening shareholders' funds	11,281,750	4,326,510
		<hr/>	<hr/>
	Closing shareholders' funds	12,122,701	11,281,750
		<hr/>	<hr/>

20 Contingent liabilities and provision for charges

The Company had no contingent liabilities and provision for charges at 31 December 2012 (2011 £Nil)

21 Operating lease commitments

At the year end, the Company had annual commitments under operating leases as follows

	Land and buildings	
	2012 £	2011 £
For leases expiring		
Less than 1 year	-	212,274
2 to five years	215,719	243,055
	<hr/>	<hr/>

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22 Financial risk management

The principal financial risks to which the Company is exposed are market risk, liquidity risk and credit risk. The directors have approved policies for the management of these risks.

Market risk

Market risk is the risk of reductions in earnings arising from changes in prices, foreign currency exchange rates, and interest rates. This is analysed into market price risk, foreign currency risk, and interest rate risk components.

The Company's Market Risk Policy incorporates a methodology for setting market exposure limits, consistent with the Company's risk appetite that does not allow the total capital resource to go below 110% of the total risk requirements. It is determined with reference to the capital resources of the Company in relation to its net exposures at any point in time and represent the maximum long and short client exposure that the Company will hold without hedging the client exposures.

The Company's real time market position monitoring system allows it to monitor its market exposure against these limits continuously. If exposures exceed these limits, the policy requires that economic hedging is undertaken to bring the exposure back within the defined limit.

(a) Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of currency or interest rate risks.

The Company had the following exposures (unrealised gain/(loss)) from open position as at 31 December 2012

	2012 £	2011 £
Equities and indices	102,316	26,742
Commodities	476,634	(92,680)

The following sensitivity table demonstrates the effects of a 5% rise or fall in the underlying price used to determine the value of CFDs for each of the categories above.

Effect on income

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if prices decrease 5%	Increase/(decrease) in profit before tax if prices increase 5%	Increase/(decrease) in profit before tax if prices decrease 5%	Increase/(decrease) in profit before tax if prices increase 5%
	£	£	£	£
Equity indices	(240,371)	240,371	(62,844)	62,844
Commodities	278,490	(278,490)	(54,125)	54,125

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22 Financial risk management (continued)

Effect on equity

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if prices decrease 5%	Increase/(decrease) in profit before tax if prices increase 5%	Increase/(decrease) in profit before tax if prices decrease 5%	Increase/(decrease) in profit before tax if prices increase 5%
	£	£	£	£
Equity indices	(240,371)	240,371	(62,844)	62,844
Commodities	278,490	(278,490)	(54,125)	54,125

(b) Foreign currency risk

Transactional currency exposures arise in the normal course of business and the management of this risk forms part of the risk policies outlined above. Limits on the exposures which the Company will accept are set by the directors and the Company enters into economic hedges to manage its exposures as necessary with market counterparties.

The Company had the following exposures (unrealised gain/(loss)) from open position as at 31 December 2012

	2012	2011
	£	£
Currency pairs	4,164,255	1,470,593

The following sensitivity table demonstrates the effects of a 5% rise or fall in the underlying foreign currency exchange rates used to determine the value of CFDs for the category above

Effect on income

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if rates decrease 5%	Increase/(decrease) in profit before tax if rates increase 5%	Increase/(decrease) in profit before tax if rates decrease 5%	Increase/(decrease) in profit before tax if rates increase 5%
	£	£	£	£
Currency pairs	(1,243,010)	1,243,010	(438,965)	438,965

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22 Financial risk management (continued)

Effect on equity

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if rates decrease 5% £	Increase/(decrease) in profit before tax if rates increase 5% £	Increase/(decrease) in profit before tax if rates decrease 5% £	Increase/(decrease) in profit before tax if rates increase 5% £
Currency pairs	(1,243,010)	1,243,010	(438,965)	438,965

The Company is exposed to foreign currency risk which arises from transactions giving rise to monetary assets and liabilities denominated in currencies other than the functional currency of the Company. The Company's net exposure to foreign exchange risk based on the carrying amounts for each of the major foreign currency exposure at each year-end was as follows

At 31 December 2012

	EURO £	USD £	CHF £
Debtors	121,372	85,358	646
Cash at bank and in hand	11,106,227	1,360,313	59,246
Creditors	(665,710)	(7,134)	(9,771)
	<hr/>	<hr/>	<hr/>
	10,561,889	1,438,537	50,121
	<hr/>	<hr/>	<hr/>

At 31 December 2011

	EURO £	USD £	CHF £
Debtors	351,359	29,417	17,463
Cash at bank and in hand	10,400,812	1,403,501	124,927
Creditors	(487,157)	(18,796)	(30,779)
	<hr/>	<hr/>	<hr/>
	10,265,014	1,414,122	111,611
	<hr/>	<hr/>	<hr/>

The following sensitivity table demonstrates the effects of a 5% rise or fall in foreign currency exchange rates against GBP for each of the major foreign currency exposures above

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22 Financial risk management (continued)

Effect on income

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if currency weakens 5%	Increase/(decrease) in profit before tax if currency strengthens 5%	Increase/(decrease) in profit before tax if currency weakens 5%	Increase/(decrease) in profit before tax if currency strengthens 5%
	£	£	£	£
US Dollar	(68,502)	75,712	(131,264)	145,081
Euro	(502,947)	555,889	(968,057)	1,069,958
CHF	(2,387)	2,638	(95,205)	105,226

Effect on equity

	At 31 December 2012		At 31 December 2011	
	Increase/(decrease) in profit before tax if currency weakens 5%	Increase/(decrease) in profit before tax if currency strengthens 5%	Increase/(decrease) in profit before tax if currency weakens 5%	Increase/(decrease) in profit before tax if currency strengthens 5%
	£	£	£	£
US Dollar	(68,502)	75,712	(131,264)	145,081
Euro	(502,947)	555,889	(968,057)	1,069,958
CHF	(2,387)	2,638	(95,205)	105,226

(c) Interest rate risk

The Company does not have any interest bearing borrowings nor does it pay any interest to customers on segregated funds. Accordingly changes in interest rates do not immediately affect the cost base.

The Company's own cash and client segregated funds are available on demand and therefore only attract marginal level of interest. Thus no sensitivity analysis presented as interest rate risk has no material impact on the Company's results.

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22. Financial risk management (continued)

Liquidity risk

In managing liquidity risk, the main objective of the Company is to ensure that it has the ability to pay all of its liabilities as they fall due. The Company monitors its levels of working capital to ensure that it can meet its obligations as they fall due. The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

Maturity analysis – at 31 December 2012

	On demand £	Less than Three month £	Three month to One year £	After One year £	Total £
Financial assets					
Cash at bank and in hand	13,037,189	-	-	-	13,037,189
Trade and other debtors	-	336,721	-	60,247	396,968
	13,037,189	336,721		60,247	13,434,157
Financial liabilities					
Trade and other creditors	-	1,520,263	-	-	1,520,263
Net liquidity surplus/(gap)	13,037,189	(1,183,542)	-	60,247	11,913,894
Cumulative surplus/(gap)	13,037,189	11,853,647	-	11,913,894	11,913,894

Maturity analysis – at 31 December 2011

	On demand £	Less than Three month £	Three month to One year £	After One year £	Total £
Financial assets					
Cash at bank and in hand	12,807,889	-	-	-	12,807,889
Trade and other debtors	-	560,788	-	-	560,788
	12,807,889	560,788	-	-	13,368,677
Financial liabilities					
Trade and other creditors	45,836	1,138,908	-	-	1,184,744
Net liquidity surplus/(gap)	12,762,053	(578,120)	-	-	12,183,933
Cumulative surplus/(gap)	12,762,053	12,183,933	-	-	12,183,933

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22. Financial risk management (continued)

Credit risk

The Company's credit risk is primarily attributable to its trade receivables and cash at bank and in hand. The majority of these balances are due from banks who are selected through a due diligence process to ensure the Company is dealing with appropriate counterparties. As at 31 December 2012, trade debtors amounted to £42,951 (2011: £288,743) and cash balances were £13,037,189 (2011: £12,807,889). Credit risk on customers trading is minimised by limiting the amount customers can trade relative to the money deposited in their account with the Company. In addition, the Company has mechanisms in place to reduce a customer's open trades so that losses do not exceed their relevant deposits. As a result management believes credit risk to be low and monitors it on an on-going basis.

Maximum exposure to credit risk

The maximum exposure to credit risk as at 31 December 2012 was £13,434,157 (2011: £13,368,677). There is no significant concentration of credit risk.

Financial assets subject to credit risk

For the purposes of the Company's disclosures regarding credit quality, financial assets subject to credit risk have been analysed as follows:

At 31 December 2012	Note	Cash at bank and in hand £	Trade and other debtors £	Total £
Neither past due nor individually impaired	(a)	13,037,189	396,968	13,434,157
Past due but not individually impaired	(b)	-	-	-
Individually impaired	(c)	-	-	-
Total		13,037,189	396,968	13,434,157
Impairment allowance		-	-	-
Total carrying amount		13,037,189	396,968	13,434,157

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

22. Financial risk management (continued)

At 31 December 2011	Note	Cash at bank and in hand £	Trade and other debtors £	Total £
Neither past due nor individually impaired	(a)	12,807,889	560,788	13,368,677
Past due but not individually impaired	(b)	-	-	-
Individually impaired	(c)	-	23,388	23,388
Total		12,807,889	584,176	13,392,065
Impairment allowance		-	(23,388)	(23,388)
Total carrying amount		12,807,889	560,788	13,368,677

a) Financial assets subject to credit risk neither past due nor individually impaired

Financial assets subject to credit risk that are neither past due nor individually impaired can be analysed according to the rating systems used by the Company when assessing customers and counterparties. The credit quality of financial assets subject to credit risk that were neither past due nor impaired, based on credit rating, was as follows

	Strong £	Satisfactory £	Higher risk £	Total £
31 December 2012				
Cash at bank and in hand	13,037,189	-	-	13,037,189
Trade and other debtors	396,968	-	-	396,968
Total	13,434,157	-	-	13,434,157

	Strong £	Satisfactory £	Higher risk £	Total £
31 December 2011				
Cash at bank and in hand	12,807,889	-	-	12,807,889
Trade and other debtors	537,400	-	23,388	560,788
Total	13,345,289	-	23,388	13,368,677

b) Past due but not individually impaired

As at 31 December 2012, no financial assets were past due but not impaired (2011: £Nil)

c) Individually impaired

As at 31 December 2012, no financial assets were individually impaired (2011: £23,388)

ACTIVTRADES PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

23 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital

The Company defines capital as being share capital plus reserves. Management monitors the level of capital as compared to the Company's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares.

However, the above objective must be achieved in accordance with guidelines set by the FSA, the regulator for the Company. The FSA sets out the requirements for the Company in respect of the minimum level of capital it must hold at any point. In pursuing its primary objective the Company also ensures that it is compliant with the FSA requirements.

In calculating capital, the Company's capital is analysed into Tier 1 capital. Tier 1 capital is the core measure of a Company's financial strength from a regulator's point of view. It consists of the types of financial capital considered the most reliable and liquid, primarily being shareholders' equity.

The Company's Tier 1 capital consists of share capital and retained earnings.

There have been no changes in the Company's management of capital during the year.