Registered number: 06039502

FINOTEC TRADING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

DIRECTORS	D Essemini S Mansoor S Vladimirsky E Benkovich (appointed 13 May 2019)
REGISTERED NUMBER	06039502
REGISTERED OFFICE	35 Ballards Lane London N3 1XW
INDEPENDENT AUDITORS	Berg Kaprow Lewis LLP Chartered Accountants & Statutory Auditor 35 Ballards Lane London N3 1XW

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2019.

Finotec ("FTUK") is a long established FCA regulated financial service intermediary and Investment management firm [FCA Register Number 470392], specializing in OTC and exchange based trading venues. Finotec is licensed to hold client funds, act as a match principal agency and as an investment management for professional clients.

Since 2007, FTUK has helped brokers succeed by providing everything they need to operate a flourishing FX broker business as well as providing easy access for professional traders to a regulated trading environment.

In 2008, we took an important strategic decision to move to a Match Principal business model, ensuring that our interests would always align with those of our clients'. This decision was based on the realization that our own earning potential shared strong correlation to our clients' life time value, and in order to encourage a strong sentiment of success from our clients, FTUK would match clients' orders with the market so as to eliminate any possible conflict of interest.

FTUK offers a winning combination of services that include: Fair Liquidity, Risk Management, Regulatory Compliance and Managed Investment programs.

In more recent years, FTUK has been transitioning its services to leverage on its Asset Management License, allowing for the management of client money traded either at FTUK or elsewhere.

"Our aim is to turn the focus of the company from a purely brokerage institute to offer investment services as well. Yedidya Capital Markets Limited ("YCM"), an Israeli research company with a long standing history developing technologies and risk management systems for the FX Industry, developed an exclusive trading algorithm and, in 2015, signed a distribution agreement with FTUK to offer this unique trading program to FTUK's clients; as well as to introduce YCM's client portfolio to FTUK's brokerage services.

BUSINESS REVIEW

In today's dynamic digital world, information itself is not enough, but the speed and efficiency in which information can be collected, analysed and repurposed is what separates failure from success.

Most investors do not have the necessary experience or patience to be selective in the trades they choose to enter. The risk of such inexperience is inevitably a high loss to win ratio and is generally not supportive of our core values, which are to promote a strong sentiment of success from our clients. Using a systematic managed trading account provides better protection against the "emotional element" of trading by ensuring that "trades" are executed through a strict protocol of risk management rules; and in doing so a more stable and sustaining trading strategy can be achieved.

Traditional managed investments focus on predicting future price trends. Our investment methodology, however, is very different. We have invested in a deeper understanding of our extensive network of traders and using this insight to form the bedrock of our proprietary ranking system. We analyse the behavioural patterns of tens of thousands of retail traders in order to extract statistical data supporting either "bad" or "good" trade decisions. These behavioural statistics are used in our algorithms as a means of quantifying the chance of a trader continuing to be successful, as well as to assess whether traders are showing signs of deviating from a previously established trend.

• The Dynamic Allocation System is a powerful tool that controls risk and maximize profit by analysing and monitoring extensive datasets

• The system monitors the performance of over 100,000 traders, whilst recording over 700,000 trades to acquire a deep understanding of trading patterns, strategies and risk management

• The system identifies market patterns by analysing market structure and activity through a set of proprietary quantitative algorithms

• A professional team of quants are continuously monitoring the algorithms so that our clients' money is managed in the best risk/reward framework

• The model is based on machine learning and provides the foundations for the trading programs we offer

Our managed accounts are designed for professional and institutional investors looking for a unique edge in trading the open markets. Investors can select the level of risk appropriate for their own investment objectives. Unlike traditional hedge fund investments, our structure offers full liquidity of the funds invested with no lockup periods, full back office support and order transparency and, most importantly, peace of mind that comes from investing within our regulated environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The main prudential risks faced by the firm in its business are:

Credit and Counterparty Risk

Because FTUK offers access to the market on a margin basis, there is a risk that our client may incur losses in excess of their initial deposits with us.

We believe that we have effectively mitigated this risk through the implementation of a conservative margining process. We have only once experienced a client debt, which came as the result of the decoupling of the Swiss Franc.

Conversely, we have credit and counterparty exposures on the market facing side of our business, however, as a Matched Principal broker, and by carefully selecting our market side counterparties, we can reduce this risk exposure and have had to date, no bad debts.

Market Risk

We do not run a proprietary trading book. However, we do have treasury balances in foreign currencies as a result of operational needs or the accrual of revenue in other currencies.

We have traditionally accepted this as a cost of running our business rather than seeing it as a risk.

Liquidity Risk

A more pressing risk than credit risk is liquidity risk. In the event that a client were to lose more than they had deposited with us as margin, the exposure would be subject to only an 8% capital requirement under Pillar one until such time as it was collected. However, we would need to pay those losses to our market side broker immediately. We would therefore need 100% liquidity cover for any losses immediately - even if the debt were to be collected within hours.

We have a two-fold approach to liquidity risk. First, our margining process, although designed primarily to address credit risk, seeks to prevent any potential debts in the first place. Second, we monitor our gross positions with our market side brokers on a daily basis alongside our available liquidity. We seek to ensure that our free liquidity is more than 20% of our largest gross currency position. We will adjust our margin requirements for relevant currency pairs if necessary to achieve this.

We are satisfied that this combination of tools has effectively mitigated our exposure to liquidity risk.

CLIENT FUND PROTECTION

Investors benefit from additional securities that are uniquely offered by Finotec with FSCS Deposit Protection Insurance by Lloyds on client funds of GBP 500,000 per account (additional protection is available if required).

GOING CONCERN

The directors have reviewed their projections and forecasts and consider that they have adequate resources to continue to meet FCA capital adequacy requirements and future working capital.

FINANCIAL KEY PERFORMANCE INDICATORS

During 2019, FTUK's turnover income was $1.5 million whilst clearing approx. 16 billion of client transactions. This represents a 66% increase $ per million of traded volume as compared to 2018.

OTHER PERFORMANCE INDICATORS

FTUK continues to attract interest in its growing portfolio of higher tier products and services and simultaneously seen adoption to its Asset Management program.

2018/19 was a challenging period due to market wide indecision as the political tug-of-war revolving around a "Brexit Agreement" played out. Despite this, our Managed Investment program has been performed well with an average annual return of 36% over 5 years.

Throughout 2019, new layers of risk management have been implemented, specifically centred around the low volatility observed during this period. The aim is to counter the impact of low market volatility within the algorithm's decision based self-learning engine.

The minimum entry is currently set to $100,000, with clients paying an Execution fee of $15 per million. The immediate consideration for FTUK is a monthly transaction volume of more than $US1 billion for each $US1 Million AUM, which would generate an additional income of up to $15,000 (including price improvements) per month.

Our current target is to reaching $US20 million in total deposits by the end of 2020 which we believe will enhance FTUK's income potential.

FTUK's management is also exploring a corporate transaction with YCM for the purpose of integrating the revenues generated from Management and Performances fees with FTUK.

FCA PILLAR 3 DISCLOSURE

The FCA Pillar 3 unaudited disclosures are published and updated annually on the company's website at www.finotec.com.

Statement in compliance with section 172(1) of the Companies Act 2006

The Director of the Company is acutely aware of the requirement for them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In considering this duty the Director considers the following stakeholders:

Shareholders

The Director has regular contact with the shareholder in order to maximise the Company's long-term growth prospects and the opportunity for a dividend stream.

Customers

The Company's customer base ranges from large institutional clients to professional clients.

The Director priorities compliance with the FCA Client Money rules to ensure the funds of relevant clients are protected, whilst ensuring each client's best interests are served in accordance with their risk appetite.

Suppliers

The company has various key supplier/vendor relationships which work more as a partnership to ensure the smooth running of the business as well as various streams of support where necessary.

Community and the environment

The Company actively seeks to reduce its carbon footprint by virtue of its entirely online and paperless business.

The Director also encourages regular attendance at industry related networking events in order to build and maintain strong relationships within the forex community.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

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This report was approved by the board and signed on its behalf.

D Essemini
Director

Date: 22 December 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of brokerage in foreign exchange ("FX") and contracts for differences ("CFDs") mainly for professional clients.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £59,774 *(2018 - £69,663)*.

The directors recommend that no dividend is paid.

DIRECTORS

The directors who served during the year were:

D Essemini
S Mansoor
S Vladimirsky
E Benkovich (appointed 13 May 2019)

FUTURE DEVELOPMENTS

The future developments of the business are disclosed in the Strategic Report.

ENGAGEMENT WITH EMPLOYEES

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ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

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DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

Under section 487(2) of the Companies Act 2006, Berg Kaprow Lewis LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

D Essemini
Director

Date: 22 December 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINOTEC TRADING UK LIMITED

OPINION

We have audited the financial statements of Finotec Trading UK Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINOTEC TRADING UK LIMITED (CONTINUED)

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINOTEC TRADING UK LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Ian Saunderson FCA (Senior Statutory Auditor)

for and on behalf of
Berg Kaprow Lewis LLP

Chartered Accountants
Statutory Auditor

London

22 December 2020

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	*2018* *£*
Turnover	4	**1,120,778**	*1,633,504*
Cost of sales		**(540,058)**	*(1,039,662)*
GROSS PROFIT		**580,720**	*593,842*
Administrative expenses		**(520,946)**	*(486,186)*
OPERATING PROFIT	5	**59,774**	*107,656*
Tax on profit	9	**-**	*(37,993)*
PROFIT AFTER TAX		**59,774**	*69,663*
Retained earnings at the beginning of the year		**(3,637,566)**	*(3,707,229)*
		(3,637,566)	*(3,707,229)*
Profit for the year		**59,774**	*69,663*
RETAINED EARNINGS AT THE END OF THE YEAR		**(3,577,792)**	*(3,637,566)*

The notes on pages 14 to 27 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		*As restated 2018 £*
FIXED ASSETS					
Intangible assets	10		**913,631**		*555,232*
Tangible assets	11		**34,506**		*44,367*
			948,137		*599,599*
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	**1,198,134**		*1,072,123*	
Cash at bank and in hand	13	**947,840**		*3,449,980*	
		2,145,974		*4,522,103*	
Creditors: amounts falling due within one year	14	**(2,558,942)**		*(4,646,307)*	
NET CURRENT LIABILITIES			**(412,968)**		*(124,204)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**535,169**		*475,395*
NET ASSETS			**535,169**		*475,395*
CAPITAL AND RESERVES					
Called up share capital	16		**4,112,961**		*4,112,961*
Profit and loss account	17		**(3,577,792)**		*(3,637,566)*
			535,169		*475,395*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

D Essemini
Director

Date: 22 December 2020

The notes on pages 14 to 27 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (loss) for the year	59,774	69,663
ADJUSTMENTS FOR:		
Amortisation of intangible assets	63,315	13,567
Depreciation of tangible assets	14,704	10,055
Taxation charge	-	37,993
(Increase) in debtors	(126,011)	(105,701)
(Decrease)/increase in creditors	(2,087,368)	3,231,342
Revaluation of intangible	76,727	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	(1,998,859)	3,256,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	(679,048)	(297,105)
Sale of intangible assets	180,608	-
Purchase of tangible fixed assets	(4,841)	-
NET CASH FROM INVESTING ACTIVITIES	(503,281)	(297,105)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,502,140)	2,959,814
Cash and cash equivalents at beginning of year	3,449,980	490,166
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	947,840	3,449,980
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	947,840	3,449,980
	947,840	3,449,980

The notes on pages 14 to 27 form part of these financial statements.

1. GENERAL INFORMATION

The principal activity of Finotec Trading UK Limited ('the company') is that of brokerage in foreign exchange ("FX") and contracts for differences ("CFDs") mainly for professional clients.

The company is a private limited company incorporated in England and Wales.

The principal place of business is; Mappin House, Oxford Circus, London, W1W 8HF.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102"), and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements.

The company made a profit of £59,774 during the year, reporting net current liabilities of £412,968 and an overall net asset position of £535,169. The Company, as for any business, relies upon the generation of profits and cash to create working capital to meet its liabilities as they fall due. Based on the results to date and future projections, the directors are confident that the Company will continue to meet its liabilities as they fall due, looking forward at least twelve months from the date of signing these financial statements. The directors have a reasonable expectation that the company has adequate resources to meet Financial Conduct Authority capital adequacy and future working capital requirements and to continue in operational existence for the foreseeable future and they consider it appropriate to prepare the financial statements on a going concern basis. As a result, the directors have prepared the financial statements on a going concern basis.

Although the Covid-19 pandemic has resulted in an uncertain environment, the directors have a reasonable expectation, based on their assessment of the Company's financial position and resources, that it will continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements, and will be able to meet its debts as they fall due. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 TURNOVER AND REVENUE RECOGNITION

Turnover represents spread and commission income earned on brokerage services provided. It includes profits and losses on rolling spot foreign exchange trading and CFDs (contracts for difference).

Turnover is recognised when the trades are executed.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 INTANGIBLE ASSETS

Licenses are initially recognised at cost. After recognition, under the cost model, licenses are measured at cost less any accumulated amortisation and any accumulated impairment losses. Licenses are amortised over 10 years.

Cryptocurrencies are initially recognised at cost. After recognition, under the revaluation model, cryptocurrency assets shall be carried at a revalued amount, being the fair value at the date of revaluation, by reference to an active market, less any subsequent accumulated amortisation and subsequent impairment losses. The revaluation deficit is included in turnover.

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.
Depreciation is provided on the following basis:

Fixtures and fittings	-	10%	straight line
Computer equipment	-	33%	straight line
Computer software	-	33%	straight line

2. ACCOUNTING POLICIES (CONTINUED)

2.6 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Cash equivalents represent balances held with the company's liquidity providers on a mark-to-market basis.

2.7 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments and transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans to related parties.

(i) Financial assets

Basic financial assets, including trade and other debtors, and amounts due from related companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Income and Retained Earnings.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and accruals, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.7 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.8 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate at the year end. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.9 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.10 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2. ACCOUNTING POLICIES (CONTINUED)

2.11 TAXATION

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial

statements:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Useful economic lives of intangible assets

The annual amortisation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation.

(iii) Deferred tax

The annual deferred tax charge is sensitive to changes in the estimated future profits that will be offset against tax losses. The deferred tax charge is re-assessed annually. They are amended when necessary to reflect current estimates and future projections.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2019	*2018*
	£	*£*
Brokerage services	1,120,778	*1,633,504*

All turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2019	2018
	£	£
Depreciation of tangible fixed assets	14,704	10,054
Exchange losses/ (gains)	6,950	(30,852)
Other operating lease rentals	24,396	85,557
Defined contribution pension cost	944	612

6. AUDITORS' REMUNERATION

	2019	2018
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	31,000	31,000
All other services	3,200	7,011
	34,200	38,011

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	140,744	142,410
Social security costs	3,323	4,173
Pension costs	944	612
	145,011	147,195

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

	2019	2018
	No.	No.
Management and administration	5	5

8. DIRECTORS' REMUNERATION

	2019	*2018*
	£	*£*
Directors' emoluments	**101,870**	*91,219*
Company contributions to defined contribution pension schemes	**506**	-
	102,376	*91,219*

During the year retirement benefits were accruing to 1 director *(2018 - NIL)* in respect of defined contribution pension schemes.

9. TAXATION

There is no tax provision in the financial statements due to the availability of tax losses.

	2019	*2018*
	£	*£*
TOTAL CURRENT TAX	-	-
DEFERRED TAX		
Origination and reversal of timing differences	-	*37,993*
TOTAL DEFERRED TAX	-	*37,993*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	-	*37,993*

9. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

	2019	2018
	£	*£*
Profit on ordinary activities before tax	**59,774**	*107,656*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**11,357**	*20,455*
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**44**	*4,926*
Capital allowances for year in excess of depreciation	**189**	*658*
Utilisation of tax losses	**(11,590)**	*(26,039)*
Deferred tax charge	**-**	*37,993*
TOTAL TAX CHARGE FOR THE YEAR	**-**	*37,993*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has trading losses of approximately £3,537,000 (2018 - £3,660,000) that can be offset against future taxable profits. A deferred tax asset has not been recognised due to the uncertainty of future profits. The amount not provided for is approximately £672,000 (2018 - £622,000).

10. INTANGIBLE ASSETS

	Cryptocurrency	Licencing	Total
	£	£	£
COST			
At 1 January 2019 (as previously stated)	-	542,680	542,680
Prior Year Adjustment	26,119	-	26,119
At 1 January 2019 (as restated)	26,119	542,680	568,799
Additions	278,592	400,457	679,049
Disposals	(180,608)	-	(180,608)
Revaluation Deficit	(76,727)	-	(76,727)
At 31 December 2019	47,376	943,137	990,513
AMORTISATION			
At 1 January 2019	-	13,567	13,567
Charge for the year	-	63,315	63,315
At 31 December 2019	-	76,882	76,882
NET BOOK VALUE			
At 31 December 2019	47,376	866,255	913,631
At 31 December 2018 (as restated)	*26,119*	*529,113*	*555,232*

11. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Computer equipment	Computer software	Total
	£	£	£	£
COST OR VALUATION				
At 1 January 2019	**26,137**	**10,924**	**54,279**	**91,340**
Additions	**-**	**-**	**4,843**	**4,843**
At 31 December 2019	**26,137**	**10,924**	**59,122**	**96,183**
DEPRECIATION				
At 1 January 2019	**18,465**	**7,460**	**21,048**	**46,973**
Charge for the year on owned assets	**7,330**	**1,678**	**5,696**	**14,704**
At 31 December 2019	**25,795**	**9,138**	**26,744**	**61,677**
NET BOOK VALUE				
At 31 December 2019	**342**	**1,786**	**32,378**	**34,506**
At 31 December 2018	*7,672*	*3,464*	*33,231*	*44,367*

12. DEBTORS

	2019	2018
	£	£
Amounts owed by group undertakings	1,169,577	1,009,980
Other debtors	6,492	52,687
Prepayments and accrued income	22,065	9,456
	1,198,134	1,072,123

13. CASH AND CASH EQUIVALENTS

	2019	As restated 2018
	£	£
Cash at bank and in hand	947,840	3,449,980

Included within cash and cash equivalents is £577,858 (2018 - £1,293,612) held with the company's liquidity providers.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	26,332	21,349
Other creditors	342,127	573,744
Accruals and deferred income	22,000	22,000
Client deposits - Professional	2,168,483	4,029,214
	2,558,942	4,646,307

15. FINANCIAL INSTRUMENTS

	2019	*2018*
	£	*£*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,173,821	*1,062,667*
Financial liabilities		
Financial liabilities measured at amortised cost	(2,558,941)	*(4,646,307)*

Financial assets measured at amortised cost comprise amounts owed by other debtors. All amounts are receivable within one year and have no stated interest rate and therefore have been measured at the undiscounted amount of the consideration expected to be received.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and professional client deposits. All amounts are payable within one year and have no stated interest rate and therefore have been measured at the undiscounted amount of the consideration expected to be transferred.

16. SHARE CAPITAL

	2019	*2018*
	£	*£*
ALLOTTED, CALLED UP AND FULLY PAID		
4,112,961 *(2018 - 4,112,961)* Ordinary shares of £1 each	4,112,961	*4,112,961*

17. RESERVES

Profit and loss account

Includes all current and prior period retained profits and losses.

18. PRIOR YEAR ADJUSTMENT

A prior year adjustment was made to reclassify a Bitcoin balance of £26,199 from cash to intangibles. This has reduced the prior year cash balance to £3,449,369 from £3,476,099 and increased the prior year intangibles figure from £529,113 to £555,232. Profit for the prior year and retained earnings have not been affected as a result of this presentational prior year adjustment.

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	*2018*
	£	*£*
Not later than 1 year	**21,719**	*5,850*
Later than 1 year and not later than 5 years	**3,620**	*-*
	25,339	*5,850*

20. RELATED PARTY TRANSACTIONS

Intangible assets of £400,457 (2018 - £270,986) were purchased from other related parties in the year.

Key management remuneration is detailed in note 8 above.

Included within directors' remuneration is a balance of £48,762 (2018 - £49,219) paid to a related party with a common director.

21. POST BALANCE SHEET EVENTS

Since the year end, the Coronavirus (COVID-19) has emerged globally resulting in a significant impact on business worldwide. As a result some business operations have been restricted, however the company continues to operate using alternative methods and remote working. The directors have amended their forecast, to adjust to the economic uncertainty. The directors are continuing to monitor, assess and act to the current changing environment in order to position the company to ensure its future success.

22. CONTROLLING PARTY

The ultimate parent undertaking is Yedidya Capital Markets Limited, a company incorporated in Israel, whose principal place of business is Rehov Kanfei Nesherim 68/108, 9546457 Jerusalem, Israel.

The ultimate controlling party is D Essemini.

23. CLIENT MONEY

The company holds money on behalf of retail clients. These funds are held separately from money belonging to the company and are subject to the client money rules as prescribed by the Financial Conduct Authority. At no time does the company have any legal title to the monies. Accordingly, they are not reflected in the company's balance sheet. As at 31 December 2019, the balance held in client accounts was £114,321 (2018 - £41,791).