

Company number: 06925128

**FxPro UK Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2018**

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# **FxPro UK Limited**

## **Annual Report and Financial Statements 31 December 2018**

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## **FxPro UK Limited**

### **Board of Directors and other officers**

#### **Board of Directors**

Charalambos Psimolophitis

Avril Millar

Conor O'Driscoll (resigned 13 August 2018)

Marios Demetriades (appointed 23 January 2019)

#### **Registered office**

13-14 Basinghall Street

EC2V 5BQ

London

UK

#### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

UK

# **FxPro UK Limited**

## **Strategic report**

The directors present their strategic report on FxPro UK Limited (the "Company") for the year ended 31 December 2018.

### **Principal activities**

The Company is an online financial services provider regulated by the Financial Conduct Authority ('FCA') and acts as the principal and market maker to its customers in Contracts for Difference ("CFDs") and financial spread betting on currency pairs, futures on indices, commodities and energy, as well as spot indices, shares and metals. The revenue of the Company derives from commission income received from the affiliated entity FxPro Financial Services Limited and it is recognised by reference to the total trading volume from all the Company's clients.

### **Review of developments, position and performance of the Company's business**

The revenue of the Company, for the year ended 31 December 2018 was £3,768,649 (2017: £4,418,676). The net profit of the Company for the year was £1,243,215 (2017: £1,480,175). On 31 December 2018, the total assets of the Company were £4,872,201 (2017: £3,843,035) and its net assets increased to £4,323,594 (2017: net assets £3,080,379) as a result of the profits for the year. Cash and cash equivalents also increased to £ 4,605,924 in 2018 (2017: £3,412,035).

The Company's Key Performance Indicators ("KPIs"), with which management monitors the business and its performance are the volume traded and profitability. Volume traded for 2018 reached USD\$142 billion, compared to USD\$156 billion in the previous year. The decrease in the volume of trading reflects the impact of the measures imposed by the European Securities Market Authority ("ESMA"), which include the restriction on the marketing, distribution or sale of CFDs to retail clients, in effect since 1 August 2018. As a result of the above, revenue decreased by 15% in 2018. On the other hand, total expenses decreased by 7% primarily due to decrease in staff costs and commissions to introducing brokers.

### **Principal risks and uncertainties**

The Company's activities, as outlined above, expose it to a variety of financial, operational and systems, compliance, litigation and reputation risks. Each principal risk and how this is assessed and managed is outlined below with the exception of the financial risks and uncertainties which are outlined in Note 6 of the financial statements. Financial risk management and disclosures are also disclosed in Note 6 of the financial statements. The Company's capital requirements are calculated in accordance with the FCA regulations. The capital of the Company is monitored regularly in light of any potential changes within the business.

Operational and systems risk is the risk that derives from possible deficiencies relating to the Company's information technology and systems' control, as well as the risks of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously. Separation of power and authority regarding vital functions of the Company exists and the Board reviews any decisions made by management and monitors their activities.

## **FxPro UK Limited**

### **Strategic Report (continued)**

#### **Principal risks and uncertainties (continued)**

The Company's operations are also closely dependent on information technology and any damage or failure of the systems would place the Company at significant risk. The Company has recovery programmes and backup systems in place in order to be able to carry on its core operations. The Company also mitigates any risk from failure of third party providers such as data suppliers, market information, telephone and internet access by ensuring it has multiple providers for each service. The Company also pro-actively improves and renews systems in order to ensure no failures or damages occur.

Compliance risk is the risk of financial loss, including fines and other penalties, which may arise from non-compliance with laws and regulations. The Company is authorised and regulated by the FCA. Any changes in the regulatory framework and directives relating to the Company's services and operations could expose the Company to considerable risk. This risk is limited to a significant extent due to the supervision applied by the Compliance function, the use of external compliance and regulatory advisors, as well as by the monitoring controls applied by the Company.

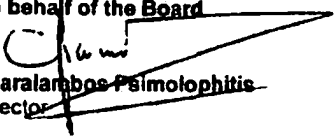
Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations. The Company obtains continuous legal advice on the preparation of its legal documents.

Reputation risk is the risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether justified or unjustified) that may result in a reduction of its clientele, reduction in revenue and legal claims against the Company.

A comprehensive business contingency and disaster recovery plan has been prepared with recovery procedures and actions to be followed in the case of damage to any vital part of the Company's structure.

The management of the Company does not believe that the UK's exit from the European Union ("EU") will affect its ability to operate going forward. Management will closely monitor the impact that Brexit might have and act accordingly to mitigate any impact that could arise from regulatory change resulting from Brexit.

On behalf of the Board

  
Charalambos Palmolophitis  
Director

London, 3 April 2019

## **FxPro UK Limited**

### **Directors' Report**

The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2018.

#### **General Information**

FxPro UK Limited (the "Company") is incorporated and domiciled in the UK as a private company with limited liability under the UK Company Law. Its registered office is at 13-14 Basinghall Street, EC2V 5BQ, London. The Company is directly controlled by FxPro Group Limited, registered in Guernsey, which owns 100% of the company's shares and is controlled by a number of individuals, none of whom has a controlling interest. The Company operates under the license no. 509956 granted by the UK Financial Services Authority ("FSA" now Financial Conduct Authority or "FCA").

#### **Branches**

The Company did not operate through any branches during the year ended 31 December 2018.

#### **Future developments of the Company**

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

#### **Results and dividends**

The Company's results for the year ended 31 December 2018 are shown on page 9. During 2018, the Company did not declare any dividends to its shareholder.

#### **Capital management**

The Company is required by the FCA to prepare an Internal Capital Adequacy Assessment Programme ("ICAAP").

At the statement of financial position date the Company's regulatory capital resources were £4,323,594 (2017: £3,080,379) which comprise solely of issued share capital and retained earnings. The Company held adequate capital resources and did not breach any regulatory capital requirements during the year.

#### **Remuneration policy**

The Company employed 7 employees at the end of 2018 (2017: 13 employees).

The principles of the Company's remuneration policy adhere to the FCA's Remuneration Code which was introduced with effect from 1 January 2011. The Company's policy is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at an artificially low level. The Company operates a discretionary bonus policy correlated, amongst others, to the annual profitability of the Company.

## **FxPro UK Limited**

### **Directors' Report (continued)**

#### **Share capital**

The Company has 1,400,000 ordinary shares in issue as at 31 December 2018. No change in the authorised or issued share capital of the Company took place during the year ended 31 December 2018.

#### **Board of Directors**

The members of the Board of Directors who were in office during the year 2018 and at the date of this report are shown on page 1.

In accordance with the Company's Articles of Association, none of the Directors retire at the next Annual General Meeting.

#### **Events after the statement of financial position date**

There were no post statement of financial position events that require adjustments or disclosure in these financial statements.

#### **Statement of Directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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 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.

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

## **FxPro UK Limited**

### **Directors' Report (continued)**

#### **Statement of disclosure of information to auditors**

In accordance with Section 418, the Directors in office at the date of approval of the Directors' Report confirm that, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent Auditors**

The Independent Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors concerning their reappointment will be proposed at the Annual General Meeting.

#### **On behalf of the Board**



**Charalambos Psimotophitis**  
Director

London, 3 April 2019



# ***Independent auditors' report to the members of FxPro UK Limited***

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, FxPro UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the "Annual Report and financial statements" (hereafter the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not currently clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*Steven Linnegar*

Steven Linnegar (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
3 April 2019

## **FxPro UK Limited**

### **Statement of Comprehensive Income for the year ended 31 December 2018**

		<b>Year ended 31 December 2018 £</b>	<b>Year ended 31 December 2017 £</b>
	<b>Note</b>		
Revenue	8	3,768,649	4,418,676
Administrative expenses	9	(1,672,367)	(1,742,186)
Selling and marketing expenses	9	(638,731)	(734,380)
Other gains/(losses) - net	10	77,415	(65,212)
Operating profit		<u>1,534,968</u>	<u>1,876,898</u>
Finance costs		-	(3,618)
Profit before income tax		<u>1,534,968</u>	<u>1,873,280</u>
Income tax expense	12	(291,751)	(393,105)
Profit after tax and total comprehensive income for the year		<u><u>1,243,215</u></u>	<u><u>1,480,175</u></u>

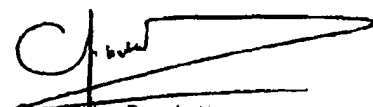
The notes on pages 13 to 45 are an integral part of these financial statements.

## FxPro UK Limited

### Statement of Financial Position at 31 December 2018

	Note	2018 Note	2017 £
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	13	44,187	86,841
<b>Total non-current assets</b>		<u>44,187</u>	<u>86,841</u>
<b>Current assets</b>			
Financial assets	14	45,828	183,281
Non-financial assets	15	176,262	160,898
Cash and cash equivalents	17	4,605,924	3,412,035
<b>Total current assets</b>		<u>4,828,014</u>	<u>3,756,194</u>
<b>Total assets</b>		<u>4,872,201</u>	<u>3,843,035</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	18	1,400,000	1,400,000
Retained earnings		2,923,594	1,680,379
<b>Total equity</b>		<u>4,323,594</u>	<u>3,080,379</u>
<b>Current liabilities</b>			
Trade and other payables	20	454,817	562,656
Current income tax liabilities		83,780	200,000
<b>Total liabilities</b>		<u>548,607</u>	<u>762,656</u>
<b>Total equity and liabilities</b>		<u>4,872,201</u>	<u>3,843,035</u>

The financial statements FxPro UK Limited (Company Number: 06925128) were approved by the Board of Directors on 3 April 2019 and signed on its behalf by:

  
Charalambos Psmolophitis  
Director

The notes on pages 13 to 45 are an integral part of these financial statements.

## **FxPro UK Limited**

### **Statement of Changes in Equity for the year ended 31 December 2018**

	<b>Note</b>	<b>Share capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
<b>Balance at 1 January 2017</b>		1,400,000	1,200,204	2,600,204
<b>Comprehensive Income</b>				
Profit and total comprehensive income for the year		-	1,480,175	1,480,175
<b>Transactions with owners</b>				
Dividends paid	19	-	(1,000,000)	(1,000,000)
<b>Balance at 31 December 2017/1 January 2018</b>		<u>1,400,000</u>	<u>1,680,379</u>	<u>3,080,379</u>
<b>Comprehensive income</b>				
Profit and total comprehensive income for the year		-	1,243,215	1,243,215
<b>Balance at 31 December 2018</b>		<u>1,400,000</u>	<u>2,923,594</u>	<u>4,323,594</u>

The notes on pages 13 to 45 are an integral part of these financial statements.

# FxPro UK Limited

## Statement of Cash Flows for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
<b>Cash flows from operating activities</b>			
Profit before income tax		1,534,986	1,873,280
Adjustments for:			
Depreciation of plant and equipment	13	43,101	42,134
		<u>1,578,087</u>	<u>1,915,414</u>
Changes in working capital:			
Financial assets		137,433	(57,671)
Non-financial assets		(15,364)	35,135
Trade and other payables		(107,839)	79,917
		<u>1,592,297</u>	<u>1,872,795</u>
Cash generated from operations			
Income tax paid		(397,981)	(448,861)
		<u>1,194,336</u>	<u>1,523,934</u>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment	13	(447)	(6,091)
		<u>(447)</u>	<u>(6,091)</u>
<b>Cash flows from financing activities</b>			
Loan granted to parent entity	17	-	(1,000,000)
		<u>-</u>	<u>(1,000,000)</u>
<b>Net cash used in financing activities</b>			
		<u>-</u>	<u>(1,000,000)</u>
<b>Net increase in cash and cash equivalents</b>		<u>1,193,889</u>	<u>517,843</u>
Cash and cash equivalents at beginning of year		3,412,038	2,894,192
		<u>4,605,924</u>	<u>3,412,035</u>
Cash and cash equivalents at end of year	17		

For the non-cash transactions please refer to Note 17.

The notes on pages 13 to 45 are an integral part of these financial statements.

# **FxPro UK Limited**

## **Notes to the financial statements**

### **1 General Information**

#### **Country of Incorporation**

FxPro UK Limited (the "Company") is incorporated and domiciled in the UK as a private company with limited liability under the UK Company Law. Its registered office is at 13-14 Basinghall Street, EC2V 5BQ, London, UK.

#### **Principal activities**

The Company is an online financial services provider and acts as the principal and market maker to its customers in Contracts for Difference ("CFDs") and financial spread betting on currency pairs, futures on indices, commodities and energy, as well as spot indices, shares and metals. The revenue of the Company derives from commission income received from FxPro Financial Services Limited and it is recognised by reference to the total trading volume.

The Company operates under the license no. 509956 granted by the UK Financial Services Authority (now "Financial Conduct Authority"). The Company's license is to hold and control client money and to act as principal on clients' trades as a matched principal broker.

#### **Brexit**

In June 2016 the people of the United Kingdom voted for an exit from the European Union. There will be a period of negotiation and resulting uncertainty as the detailed political and legal issues are worked out and the real impact of leaving unfolds. The political situation in the UK is also changing in response to the outcome of the referendum and continuing negotiations with the EU. This uncertainty will likely impact all UK businesses and those that do business with or invest in the UK. Whilst it is impossible to predict the impact on the UK economy or the final situation in terms of trade regulation, trade and labour agreements and political positions in the coming years, there could be significant impairment, going concern and/or capital issues to consider. Entities in the UK or those who trade with the UK will likely have to reassess their trading outlook once there is more clarity regarding conditions of exit from the EU, as the impact could be substantial.

### **2 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated (refer to Notes 3, 4 and 25). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 25.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

## **FxPro UK Limited**

### **2 Basis of preparation (continued)**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

### **3 Adoption of new or revised standards and interpretations**

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. During the year the Company adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" which became effective on 1 January 2018 and changed its accounting policies accordingly. The Company's new accounting policies following the adoption of IFRS 9 and IFRS 15 on 1 January 2018 are set out in Note 4.

In accordance with the transition provisions of IFRS 9 and IFRS 15, the Company has elected the simplified approach for the adoption of the new standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18 and IAS 11. The adoption did not have any impact on the opening balances.

The Company has voluntarily changed the presentation of certain amounts in the comparative statement of financial position to reflect the terminology of IFRS 15 and IFRS 9.

#### **(i) IFRS 9 "Financial instruments"**

IFRS 9 "Financial Instruments" replaces the provisions of IAS 39 that relate to recognition and de-recognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.



## **FxPro UK Limited**

### **3 Adoption of new or revised standards and Interpretations (continued)**

#### **(i) IFRS 9 "Financial Instruments" (continued)**

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in de-recognition shall be recognized in profit or loss.

The Company considered classification and measurement changes and concluded that there is no impact on the classification and measurement for financial assets and financial liabilities held.

More specifically, as a result of the adoption of IFRS 9, all debt financial assets held by the Company as of 1 January 2018 have been classified at amortised cost as they are held to collect contractual cash flows and their cash flows represent solely payments of principal and interest. These classifications did not give rise to any impact on the Company's statement of financial position as of 1 January 2018.

The Company has adopted the simplified expected credit loss model for its trade receivables as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for amounts receivable from clients, other receivables and cash and cash equivalents.

On ECL, the Company assessed the impact by considering all bank balances and receivables and concluded that these are at stage 1 and that there was no significant increase in credit risk on any of these balances. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 was immaterial. Accordingly, the impact of adoption of IFRS 9 on the Company's retained earnings as of 1 January 2018 was immaterial.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The assessment of the impact of adoption of IFRS 9 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management's conclusion are disclosed in Note 7.

## **FxPro UK Limited**

### **3 Adoption of new or revised standards and interpretations (continued)**

#### **(II) IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

IFRS 15 provides further guidance on the measurement of revenue arising from contracts that have variable consideration due to discounts, rebates, consignment inventories etc. In accordance with the new standard, when the consideration varies, an entity includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, costs incurred to secure contracts with customers and certain costs incurred to fulfil such contracts have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company has considered the requirements of IFRS15 and has concluded that intercompany commission income constitutes a single performance obligation and the timing of revenue recognition is the same as under IAS18, at a point in time. Also, contract costs consisting mainly of commissions paid to introducing brokers have been expensed as incurred as the Company has opted for the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred when the amortisation period of the asset that the entity otherwise would have recognised is one year or less. As a result, there was no impact on the Company's financial statements following the adoption of IFRS 15 as of 1 January 2018.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 25.

#### **Revenue**

##### ***Recognition and measurement***

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's activities as described below.

Revenue earned by the Company is recognised on the following bases:

##### **(i) Trading revenue**

Trading revenue arises from clients' trading in CFDs and spread betting, whereby the Company acts as the counterparty to the trades undertaken by its clients, and from the transactions undertaken to hedge the risks associated with client trading.

Trading revenue includes gains and losses on trading in these financial instruments as well as swap interest income and commission charged on CFDs and spread betting. Open client positions and hedging positions are measured at fair market value. Gains and losses arising on this valuation as well as gains and losses realised on closed positions are recognised in revenue.

The Company acts as a matched principal broker to its clients' trades. All trades between the Company and its clients are hedged by entering into off-set trades between the Company and FxPro Financial Services Limited.

##### **(ii) Commission income**

The Company receives commission income, on a monthly basis, from FxPro Financial Services Limited based on the total trading volume of all its clients' trading activity. Revenue based on commission income is recognised at a point in time when the Company satisfies its performance obligations.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Foreign currency translation**

##### **(i) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "other gains/(losses) – net".

#### **Current income tax**

The tax expense for the year comprises current tax only. The current income tax is based on the taxable profit for the year and is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the UK which is the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Plant and equipment**

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of plant and equipment. Depreciation on plant and equipment is calculated using the straight line method.

The annual depreciation rates are as follows:

	2018 %	2017 %
Office equipment	20	20
Furniture & Fittings	20	20
Computer hardware	33	33
Motor Vehicles	33	33

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other gains/(losses)-net" in the statement of comprehensive income.

Expenditure for repairs and maintenance of plant and equipment is charged to the statement of comprehensive income of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

#### **Impairment of non-financial assets**

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Financial assets – Classification**

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Financial assets - Recognition and de-recognition**

All financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### **Financial assets - Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The Company classified its debt instruments as follows:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the statement of comprehensive income. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in "other gains/(losses)-net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, trade receivables, amounts receivable from clients and other receivables.

#### **Financial assets – impairment – credit loss allowance for ECL**

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Financial assets – Impairment – credit loss allowance for ECL (continued)**

For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach – three stage model for impairment. The Company applies the three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

#### **Financial assets - Reclassification**

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

#### **Financial assets – Write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### **Financial assets – Modification**

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the solely payments of principal and interest ("SPPI") criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in de-recognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

#### **Financial assets at amortised cost**

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

#### **Financial liabilities – measurement categories**

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

#### **Derivative financial instruments**

Derivative financial instruments which include CFDs on foreign currency pairs, gold, stocks, indices and commodities, are initially recognised in the statement of financial position at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### **Prepayments**

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.



## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

#### **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged in the statement of comprehensive income on a straight-line basis over the period of the lease.

#### **Fiduciary activities**

In order to render investment services to clients, the Company holds money on behalf of clients in a fiduciary activity and in accordance with the Client Money Rules of the Financial Conduct Authority. The cash is kept in segregated bank accounts in the Company's name on behalf of its clients and these accounts are held by the Company in a fiduciary capacity and are not included as part of the Company's assets and liabilities in financial statements.

#### **Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year period or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **FxPro UK Limited**

### **4 Summary of significant accounting policies (continued)**

#### **Comparatives**

Comparative figures have been adjusted to conform with changes in the presentation for the current year.

### **5 New accounting procurements**

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- IFRS 16 "Leases" (Issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements and as of the date of issue of these financial statements the impact of the adoption of this standard is not known.
- Amendments to References to the Conceptual Framework in IFRS Standards (Issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)\*. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)\*. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

\* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

## **FxPro UK Limited**

### **6 Financial risk management**

The ultimate responsibility for financial risk management resides with the Board of Directors. The Board sets the tone for a risk aware culture and formulates its strategy and risk appetite. Additionally, the Board ensures that the risk structure is appropriate for the Company's profile and size. The internal governance structure plays a significant role in the success of the risk management effort as it can promote accountability and transparency. It also defines the reporting lines and information flow within the Company. The primary objective of the Board of Directors is to oversee the overall management of all risks including market risk, credit risk and liquidity risk. It also has the responsibility to review and recommend the risk management policies and ensure infrastructure, resources and systems are in place for proper risk management.

#### **(i) Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

- **Market risk**

##### **Foreign exchange risk**

Foreign exchange risk, which arises primarily with respect to the Euro and US dollar, derives from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

As at 31 December 2018, if the Euro had weakened/strengthened by 5% (2017: 11%) against the Pound Sterling with all other variables held constant, post-tax profit for the year would have been £65,281 (2017: £99,137) higher/lower mainly as a result of foreign exchange gains on translation of Euro denominated balances.

As at 31 December 2018, if the US dollar had weakened/strengthened by 5% (2017: 4%) against the Pound Sterling with all other variables held constant, post-tax profit for the year would have been £29,961 (2017: £45,184) higher/lower mainly as a result of foreign exchange gains on translation of US dollar denominated balances.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

##### **Price Risk**

The Company acts as a matched principal broker with its clients, hence is not exposed to price risk as each transaction with its clients is fully hedged by off-set trades between the Company and FxPro Financial Services Limited.

##### **Cash flow and fair value interest rate risk**

Cash flow interest rate risk arises from interest bearing assets held at variable interest rates and from interest charged on the derivative financial instruments that remain open overnight.

Interest charged on the derivative financial instruments (both assets and liabilities) that remain open overnight does not expose the Company to cash flow interest rate risk as each client's trade is fully hedged by off-set trades between the Company and FxPro Financial Services Limited.

Fair value interest rate risk arises from financial assets and liabilities held at fixed interest rates.

No sensitivity analysis is presented for interest rate risk as the impact of reasonably possible market movements on the Company's post-tax profit are not significant to the Company's financial performance and position.

## **FxPro UK Limited**

### **6 Financial risk management (continued)**

#### **(i) Financial risk factors (continued)**

##### **• Credit risk**

Credit risk is the risk of loss that the Company would incur if the counterparty in a transaction failed to perform its contractual obligations.

Credit risk arises from cash and cash equivalents, trade receivables, amounts receivable from clients, other receivables and favourable derivative financial instruments.

##### **(i) Risk management**

For banks and financial institutions, only parties whom management has internally assessed as financially healthy and stable are accepted. The Company only uses banks with an investment grade rating. If there is no independent rating, management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Transactions with customers are settled using major credit cards and banks or financial institutions specialising in online transferring of funds and transactions.

The credit risk in respect of customers arises from a customer's trading position going into deficit through incurring a loss in excess of the required margin deposit. Since the Company will not demand these amounts from its customers, due to the negative balance protection policy it has in place, it will absorb all unexpected losses over and above the clients' deposited funds. In addition to clients' stop loss limits capabilities, the Company uses various tools and automations to reduce its exposure to this credit risk, including automatic stop outs well before margin levels are eliminated to prevent any open position going into deficit and protect the clients by minimising their losses and dynamic leverage which increases the margin required as open positions exposure increases.

The carrying amount of financial assets represents the maximum credit exposure without taking into account any balances held as required margin for open trading positions in CFDs.

##### **(ii) Impairment of financial assets**

The Company has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables, amounts receivable from clients and other receivables; and
- Cash and cash equivalents

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### **(a) Trade receivables**

###### ***Previous accounting policy for impairment of trade receivables***

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset was reduced through the use of an allowance account, and the amount of the loss was recognised in profit or loss. When a trade receivable was uncollectible, it was written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off were credited in profit or loss.

## **FxPro UK Limited**

### **6 Financial risk management (continued)**

#### **(i) Financial risk factors (continued)**

##### **• Credit risk (continued)**

#### **(ii) Impairment of financial assets (continued)**

##### **(a) Trade receivables (continued)**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

No expected credit losses arose from the trade receivables as these have been offset with payables to the same party (Note 6(iv)).

##### **(b) Financial assets at amortised cost**

For amounts receivable from clients, other receivables and cash and cash equivalents, the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

## FxPro UK Limited

### 6 Financial risk management (continued)

#### (i) Financial risk factors (continued)

##### • Credit risk (continued)

#### (ii) Impairment of financial assets (continued)

The Company uses the following categories for trade receivables, other receivables, amounts receivable from clients and cash and cash equivalents, which reflect the credit risk and how the provision is determined for each of these categories. For counterparties which are externally rated, the Company uses external credit ratings.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The Company has no financial assets which are subject to impairment requirements of IFRS 9 which have had modifications to their contractual cash flows.

Over the term of the receivables, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data.

The following tables contain an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represent the Company's maximum exposure to credit risk on these assets as at 31 December 2018.

## **FxPro UK Limited**

### **6 Financial risk management (continued)**

#### **(i) Financial risk factors (continued)**

##### **• Credit risk (continued)**

#### **(ii) Impairment of financial assets (continued)**

##### **Amounts receivable from clients**

<b>Company external credit rating</b>	<b>Gross carrying amount/ Carrying amount (net of impairment provision) – GBP £</b>
AAA - A	37,947
BBB – B/ CCC – C/ D	-

An amount of GBP 37,947 included in Note 14 as current financial assets at amortised cost, represents profits from clients' trading in CFDs which, as of the statement of financial position date, had not been transferred to its own bank accounts from the clients' segregated client funds. Amounts receivable from clients are transferred on a daily basis. These receivables carry only the credit risk of the banks that the clients' cash is deposited and held by the Company in a fiduciary capacity. Due to this factor, the expected credit loss attached to these receivables is that of the client's designated banks, and is estimated as immaterial.

##### **Trade receivables which have been offset**

<b>Company internal credit rating</b>	<b>Gross carrying amount/ Carrying amount (net of impairment provision) – GBP £</b>
Performing	114,795
Underperforming/ Non performing/ Write off	-

For the offsetting please refer to Note 6 (iv).

The Company assessed the ECL for these balances and the identified impairment loss was immaterial.

##### **Other receivables**

<b>Company internal credit rating</b>	<b>Gross carrying amount/ Carrying amount (net of impairment provision) – GBP £</b>
Performing	7,881
Underperforming/ Non performing/ Write off	-

The Company assessed the ECL for these balances and the identified impairment loss was immaterial.

## FxPro UK Limited

### 6 Financial risk management (continued)

#### (i) Financial risk factors (continued)

##### • Credit risk (continued)

#### (ii) Impairment of financial assets (continued)

#### Cash and cash equivalents

Company external credit rating	Gross carrying amount/ Carrying amount (net of impairment provision) – GBP £
AAA - A	4,605,924
BBB – B/ CCC – C/ D	-

The Company assessed the ECL for these balances and the identified impairment loss was immaterial.

No significant changes to estimation techniques or assumptions were made during the reporting period.

#### Credit quality of financial assets at 31 December 2017

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2017 £
<b>Trade receivables</b>	
Counterparties with external credit rating (Moody's) <sup>(1)</sup>	
A2	179,028
<b>Cash and bank balances</b>	
Counterparties with external credit rating (Moody's)	
A1	683,111
A2	2,728,924
	<u>3,412,036</u>

<sup>(1)</sup> Trade receivables carry the credit risk of the banks in which the client's funds are deposited as they are held by the Company in fiduciary capacity.

None of the financial assets that are fully performing has been renegotiated in the last year and no balance that is past due or impaired exists.



## FxPro UK Limited

### 6 Financial risk management (continued)

#### (i) Financial risk factors (continued)

##### • Liquidity risk

The finance department monitors rolling forecasts of the Company's liquidity requirements based on expected cash flows in order to ensure it has sufficient cash to meet its operational needs, under both normal circumstances and stressed conditions.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £	Total £
<b>31 December 2018</b>		
Trade and other payables (Note 20)	454,817	454,817
	<u>454,817</u>	<u>454,817</u>
	Less than 1 year £	Total £
<b>31 December 2017</b>		
Trade and other payables (Note 20)	562,656	562,656
	<u>562,656</u>	<u>562,656</u>

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due. Management maintains flexibility in funding by maintaining availability of cash and cash equivalent reserves.

##### • Financial instruments by category as at 31 December 2017:

	Loans and receivables £	Total £
<b>31 December 2017</b>		
<b>Assets as per statement of financial position:</b>		
Trade and other receivables (Note 14)	183,261	183,261
Cash and cash equivalents (Note 17)	3,412,035	3,412,035
<b>Total</b>	<u>3,595,296</u>	<u>3,595,296</u>
	Liabilities at amortised cost £	Total £
<b>Liabilities as per statement of financial position</b>		
Trade and other payables (excluding statutory liabilities) (Note 20)	560,292	560,292
	<u>560,292</u>	<u>560,292</u>

## **FxPro UK Limited**

### **6 Financial risk management (continued)**

#### **(ii) Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company considers equity as shown on the face of the statement of financial position as capital.

#### **(iii) Fair value estimation**

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's assets and liabilities that are measured at fair value.

<b>At 31 December 2018</b>	<b>Level 2 £</b>	<b>Total balance £</b>
<b>Assets</b>		
Derivative financial instruments (Note 6 (iv))	<u>1,789,078</u>	<u>1,789,078</u>
<b>Liabilities</b>		
Derivative financial instruments (Note 6 (iv))	<u>231,329</u>	<u>231,329</u>
<b>At 31 December 2017</b>		
	<b>Level 2 £</b>	<b>Total balance £</b>
<b>Assets</b>		
Derivative financial instruments (Note 6 (iv))	<u>6,214,505</u>	<u>6,214,505</u>
<b>Liabilities</b>		
Derivative financial instruments (Note 6 (iv))	<u>580,284</u>	<u>580,284</u>

The Company has no investments designated as level 1 or level 3.

The carrying value less provision of all financial assets and financial liabilities not carried at fair value, are assumed to approximate their fair values.

## FxPro UK Limited

### 6 Financial risk management (continued)

#### (iv) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following tables present the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements, as at 31 December 2018 and 31 December 2017. The column 'net amount' shows the impact on the Company's statement of financial position if all set-off rights were exercised.

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)
	£	£	£
<b>31 December 2018</b>			
<b>ASSETS</b>			
Derivative financial asset	1,789,078	1,789,078	-
Trade receivables	114,785	114,785	-
<b>TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>1,903,873</b>	<b>1,903,873</b>	<b>-</b>
	£	£	£
<b>LIABILITIES</b>			
Trade payables	505,820	114,785	391,025
Derivative financial liability	231,329	231,329	-
Advances of net unrealised revenue	1,557,749	1,557,749	-
<b>TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>2,294,898</b>	<b>1,903,873</b>	<b>391,025</b>

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)
	£	£	£
<b>31 December 2017</b>			
<b>ASSETS</b>			
Derivative financial asset	6,214,505	6,214,505	-
Trade receivables	318,865	318,865	-
<b>TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>6,533,370</b>	<b>6,533,370</b>	<b>-</b>
	£	£	£
<b>LIABILITIES</b>			
Trade payables	812,935	318,865	494,070
Derivative financial liability	580,284	580,284	-
Advances of net unrealised revenue	5,634,241	5,634,241	-
<b>TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT</b>	<b>7,027,440</b>	<b>6,533,370</b>	<b>494,070</b>

(1) Advances of net unrealised revenue relate to net unrealised revenue arising from the open positions with clients that the Company has withdrawn from client funds and recognised as a payable measured at amortised cost.

## **FxPro UK Limited**

### **6 Financial risk management (continued)**

#### **(iv) Offsetting financial assets and liabilities (continued)**

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting.

The Company has a service level agreement with FxPro Financial Services Limited according to which all trades between the Company and its clients are hedged by entering into off-set trades between the Company and FxPro Financial Services Limited and are settled on a daily basis. The Company reserves the right, at any time and at the Company's sole discretion, to set-off any unrealised losses incurred in respect of a clients' open positions against that client money held by the Company on behalf of that client in accordance with the agreement between the customer and the Company. This arrangement meets the criteria for offsetting and therefore, no derivatives and associated fair value balances are presented on the statement of financial position or statement of comprehensive income.

There were no other amounts subject to master netting and similar arrangements not set off in the statement of financial position.

### **7 Critical accounting estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## FxPro UK Limited

### 8 Revenue

	2018 £	2017 £
Intercompany commissions (Note 22(i))	<u>3,768,649</u>	<u>4,418,676</u>

### 9 Expenses by function and nature

	2018 £	2017 £
<b>Administrative expenses:</b>		
Staff costs (Note 11)	803,488	899,259
Professional fees	116,013	146,024
Property rent, rates and insurance	359,488	318,792
Auditors' remuneration	12,550	12,000
Other assurance services paid to the auditors	27,750	26,000
Non-audit services	4,200	4,000
Travel and hospitality expenses	16,228	21,131
Data feed processing	22,391	30,625
Motor vehicle expenses	12,586	10,516
Bank Charges	12,092	8,211
Utilities	13,198	14,731
Depreciation (Note 13)	43,101	42,134
Recruitment expenses	12,431	24,100
Unrecoverable VAT	114,002	115,074
Other expenses	80,382	68,589
Intercompany service fees (Note 22(ii))	12,500	-
	<u>1,672,367</u>	<u>1,742,186</u>
<b>Selling and marketing expenses:</b>		
Commission paid to introducing brokers	429,514	569,382
Fees incurred on transaction processing	181,348	162,498
Marketing and advertising expenses	47,869	2,500
	<u>638,731</u>	<u>734,380</u>
<b>Total administrative, selling and marketing expenses</b>	<u>2,311,098</u>	<u>2,476,566</u>

### 10 Other gains/(losses) - net

	2018 £	2017 £
Net foreign exchange transaction gains/(losses)	<u>77,415</u>	<u>(65,212)</u>

### 11 Staff costs

	2018 £	2017 £
Wages and salaries	706,290	790,066
Social security costs	78,747	92,254
Other pension costs	17,431	16,939
	<u>803,488</u>	<u>899,259</u>

The monthly average number of employees during the year ended 31 December 2018 was 10 (2017:13).

## FxPro UK Limited

### 12 Income tax expense

	2018 £	2017 £
Current tax expense:		
Corporation tax	<u>291,751</u>	<u>393,105</u>

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

	2018 £	2017 £
Profit before tax	<u>1,534,958</u>	<u>1,873,280</u>
Tax calculated at the applicable corporate tax rate of 19% (2017: 19.25%)	291,644	360,606
(Overprovision)/ under provision of prior year expense	(8,594)	23,899
Expenses not deductible for tax purposes	8,701	8,600
Income tax expense	<u>291,751</u>	<u>393,105</u>

The effective tax rate for the year was 19% (2017: 21%).

### 13 Plant and equipment

	Office equipment £	Computer hardware £	Furniture and fittings £	Motor Vehicle £	Total £
<b>Cost:</b>					
At 1 January 2017	7,866	7,326	38,418	97,898	149,508
Additions	1,108	267	4,718	-	6,091
	<u>8,974</u>	<u>7,593</u>	<u>41,134</u>	<u>97,898</u>	<u>155,599</u>
At 31 December 2017	8,974	7,593	41,134	97,898	155,599
Additions	447	-	-	-	447
	<u>9,421</u>	<u>7,593</u>	<u>41,134</u>	<u>97,898</u>	<u>156,046</u>
At 31 December 2018	9,421	7,593	41,134	97,898	156,046
<b>Accumulated Depreciation:</b>					
At 1 January 2017	5,850	4,402	8,215	8,157	26,624
Charge for the year (Note 9)	521	1,460	7,520	32,633	42,134
	<u>6,371</u>	<u>5,862</u>	<u>15,735</u>	<u>40,790</u>	<u>68,758</u>
At 31 December 2017	6,371	5,862	15,735	40,790	68,758
Charge for the year (Note 9)	778	1,463	8,231	32,629	43,101
	<u>7,149</u>	<u>7,325</u>	<u>23,966</u>	<u>73,419</u>	<u>111,859</u>
At 31 December 2018	7,149	7,325	23,966	73,419	111,859
<b>Carrying amount:</b>					
At 31 December 2017	<u>2,603</u>	<u>1,731</u>	<u>25,399</u>	<u>57,108</u>	<u>86,841</u>
At 31 December 2018	<u>2,272</u>	<u>268</u>	<u>17,168</u>	<u>24,479</u>	<u>44,187</u>

## FxPro UK Limited

### 14 Financial assets

	2018 £	2017 £
<b>Financial assets at amortised cost:</b>		
Amounts receivable from clients	37,847	178,028
Other receivables	7,881	4,233
<b>Total financial assets</b>	<b>45,828</b>	<b>183,261</b>

#### (i) Fair value of financial assets

Due to the short-term nature of the current financial assets at amortised cost, their carrying amount is considered to be the same as their fair value.

As of 31 December 2018, all financial assets at amortised cost are at Stage 1 (2017: £183,261 were fully performing).

The maximum exposure to credit risk at the statement of financial position date is the carrying value of each class of financial assets mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's financial assets at amortised cost are denominated in the following currencies:

	2018 £	2017 £
Pound Sterling - functional and presentation currency	15,128	70,289
Other currencies	30,700	112,972
	<b>45,828</b>	<b>183,261</b>

Amounts receivable from clients carry the credit risk of the banks that clients' cash is deposited and held by the Company in a fiduciary capacity, as these relate to profits from clients' trading in CFDs which as of the statement of financial position date the Company had not yet transferred from the clients' bank accounts. Concentrations of credit risk with respect to trade receivables are limited due to the Company's policy to restrict any losses that a client can suffer from CFDs to the cash margin held for each client by the Company under fiduciary agreements. Due to this factor, management believes that no credit risk for collection losses is inherent in the Company's trade receivables.

### 15 Non - financial assets

	2018 £	2017 £
Prepayments	176,262	160,898

The fair value of non-financial assets approximates their carrying amount.

The carrying amounts of the Company's current non-financial assets are denominated in the following currencies:

	2018 £	2017 £
Pound Sterling - functional and presentation currency	176,262	160,898

## **FxPro UK Limited**

### **16 Derivative financial instruments**

Derivative financial instruments are primarily open positions on contracts for differences (CFDs) in which the Company acts as the counterparty to positions held by the Company's customers at the year-end.

The Company has a legal right to offset derivative financial instruments against advances from unrealised net trading revenues based on the terms of the client agreement and balances are settled on a net basis.

None of the derivative financial instruments is either past due or impaired.

### **17 Cash and cash equivalents**

Cash and cash equivalents include the following for the purposes of the statement of financial position and the statement of cash flows:

	2018 £	2017 £
Cash at bank	<u>4,605,924</u>	<u>3,412,035</u>

The cash and cash equivalents are analysed in the following currencies:

	2018 £	2017 £
Pound Sterling - functional and presentation currency	2,160,136	903,901
US Dollar	946,514	1,632,018
Euro	1,271,593	748,455
Other currencies	237,682	127,661
	<u>4,605,924</u>	<u>3,412,035</u>

### **Non-cash transactions**

The principal non-cash transaction during 2017 was the following:

During 2017, a loan to FxPro Group Limited (Parent Entity) was granted by the Company (Note 22(vi)). The loan was set-off against dividends declared in 2017 (£1,000,000).



# FxPro UK Limited

## 18 Share capital

	Number of shares	Share Capital £	Total £
<b>Authorised, issued and fully paid:</b>			
<b>At 1 January 2017/ 31 December 2017/31 December 2018</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,400,000</b>

The total authorised number of ordinary shares as at 31 December 2018 was 1,400,000 (2017: 1,400,000) with a par value of £1 per share. All issued shares are fully paid.

## 19 Dividends

A dividend of approximately £0.72 per share amounting to £1,000,000 was declared and paid in 2017. For more details, please refer to Note 17.

## 20 Trade and other payables

	2018 £	2017 £
<b>Financial liabilities at amortised cost</b>		
Payable to related parties (Note 22(v))	391,026	494,070
Trade payables	1,136	24,221
Accrued expenses	61,682	42,001
<b>Total financial liabilities within trade and other payables at amortised cost</b>	<b>453,843</b>	<b>560,292</b>
Social insurance and other taxes	974	2,364
<b>Total trade and other payables</b>	<b>454,817</b>	<b>562,656</b>

The fair value of trade and other payables which are due within one year approximates their carrying amount at the statement of financial position date.

## 21 Commitments

### Operating lease commitments – where the Company is the lessee

The Company leases offices under a cancellable operating lease agreement. The Company is required to give a three-month notice (2017: six-month notice) for the termination of the agreement. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in Note 9.

The future aggregate minimum lease payment under cancellable operating leases are as follows:

	2018 £	2017 £
Not later than 1 year	236,681	185,976
Later than 1 year but not later than 5 years	47,256	32,663
	<b>282,917</b>	<b>228,638</b>

## FxPro UK Limited

### 22 Related party transactions and ultimate parent undertaking

The Company is directly controlled by FxPro Group Limited, registered in Guernsey, which owns 100% of the Company's shares and is ultimately controlled by a number of individuals, none of whom has a controlling interest. The results of the Company are consolidated in the consolidated financial statements of its parent entity whose registered office is at 11 New Street, St. Peter Port, Guernsey, GY1 2PF.

The following transactions were carried out with related parties:

#### (i) Sale of services

	2018 £	2017 £
Company under common control: Commissions (Note 8)	<u>3,768,649</u>	<u>4,418,676</u>

The Company recognized a net loss from the off-set trading with FxPro Financial Services Limited of £12,403,815 for 2018 (2017: £16,194,817).

#### (ii) Purchase of services

	2018 £	2017 £
Company under common control: Service Fee (Note 9)	<u>12,500</u>	<u>-</u>

#### (iii) Key management personnel compensation

The compensation of key management personnel and the close members of their family is as follows:

	2018 £	2017 £
Salaries and other short-term employee benefits	<u>343,684</u>	<u>396,791</u>

#### (iv) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

	2018 £	2017 £
Salaries and other short-term benefits	<u>223,895</u>	<u>304,052</u>
Highest paid director: Total amount of emoluments	<u>183,895</u>	<u>137,235</u>

During the year, one director resigned from the Company. On resignation, a one-off ex gratia payment of £40,000 was made by the Company to the Director.

## **FxPro UK Limited**

### **22 Related party transactions and ultimate parent undertaking (continued)**

#### **(v) Year-end balances**

	2018 £	2017 £
Payable to entity under common control (Note 20)	<u>391,028</u>	<u>494,070</u>

The above payable balance bears no interest, is not secured and is payable on demand.

#### **(vi) Loans to related parties**

	2018 £	2017 £
At beginning of the year	-	-
Loans advanced during the year	-	1,000,000
Set-off with dividends paid (Note 17)	-	(1,000,000)
Closing balance as at 31 December	<u>-</u>	<u>-</u>

### **23 Fiduciary activities**

In order to render investment services to clients, the Company holds clients' money in designated bank accounts for this purpose. The assets in these accounts are held by the Company in a fiduciary capacity and are not included in these financial statements. As at 31 December 2018 there were clients' accounts with banks held in a fiduciary capacity amounting to £10,910,422 (2017: £16,934,066). The client bank accounts are segregated from the bank accounts of the Company.

	2018 £	2017 £
Credit quality:		
A1	4,376,941	9,759,627
A2	6,533,481	7,174,439
	<u>10,910,422</u>	<u>16,934,066</u>

	2018 £	2017 £
Currencies:		
Pound Sterling - functional and presentation currency	4,459,330	5,237,577
Euro	3,098,832	4,481,713
US Dollar	2,810,867	6,985,583
Other currencies	640,693	229,193
	<u>10,910,422</u>	<u>16,934,066</u>

### **24 Events after the statement of financial position date**

There were no material events after the statement of financial position date, which have a bearing on the understanding of the financial statements.

## **FxPro UK Limited**

### **25 Accounting policies before 1 January 2018**

Accounting policies applicable to the comparative year ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of online trading services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Revenue earned by the Company is recognised on the following bases:

##### **(i) Trading revenue**

Trading revenue arises from clients' trading in CFDs, whereby the Company acts as the counterparty to the trades undertaken by its clients, and from the transactions undertaken to hedge the risks associated with client trading.

Trading revenue includes gains and losses on trading in these financial instruments as well as swap interest income and commission charged on CFDs. Open client positions and hedging positions are measured at fair market value. Gains and losses arising on this valuation as well as gains and losses realised on closed positions are recognised in revenue.

The Company acts as a matched principal broker to its clients' trades. All trades between the Company and its clients are hedged by entering into off-set trades between the Company and FxPro Financial Services Limited.

##### **(ii) Commission income**

The Company receives commission income on a monthly basis, from FxPro Financial Services Limited based on the total trading volume of all its clients' trading activity.

#### **Financial assets**

##### **(a) Classification**

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

##### **(i) Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Derivatives are categorized as held for trading and relate primarily to open positions on CFDs in which the Company acts as the counterparty. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the statement of financial position.

## **FxPro UK Limited**

### **25 Accounting policies before 1 January 2018 (continued)**

#### **Financial assets (continued)**

##### **(a) Classification (continued)**

##### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

##### **(b) Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of comprehensive income within "other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Company's right to receive payments is established.

Interest on receivables calculated using the effective interest method is recognised in profit or loss.

#### **De-recognition of financial assets**

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

##### **(i) Financial assets**

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## **FxPro UK Limited**

### **25 Accounting policies before 1 January 2018 (continued)**

#### **De-recognition of financial assets (continued)**

##### **(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the statement of comprehensive income.

#### **Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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## **FxPro UK Limited**

### **25 Accounting policies before 1 January 2018 (continued)**

#### **Trade and other receivables**

Trade and other current receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other current receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade or other current receivable is uncollectible, it is written off against the allowance account for trade and other current receivables. Subsequent recoveries of amounts previously written off are credited in statement of comprehensive income. Trade receivables also include balances with clients where the valuation of the financial derivative open positions results in an amount receivable by the Company.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and cash at bank.

Independent Auditor's Report is on pages 7 to 8.