
VALUTRADES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



VALUTRADES LIMITED

COMPANY INFORMATION

Directors	A. K. M. Bahirwani L. A. Bonfield H. Campbell-Lamerton (appointed 18 July 2018) G. Foster (appointed 18 July 2018) J. B. P. Ng J. P. Thwaytes (appointed 18 July 2018) G. A. Watkins N. Whitehead (appointed 18 July 2018)
Registered number	07939901
Registered office	1 Primrose Street London EC2A 2EX
Independent auditors	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Hertfordshire WD17 1HP

VALUTRADES LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 5
Directors' Report	6 - 7
Independent Auditors' Report	8 - 10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 - 29

VALUTRADES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The financial statements of the company are drawn up for the year ended 31 December 2018. Except where otherwise indicated, all financial information is presented in GBP.

The company is a United Kingdom company limited by shares. It is both incorporated and domiciled in England and Wales. The address of its registered office is 1 Primrose Street, London, England, EC2A 2EX.

Business review

Our Business

Valutrades Limited is an online financial services business that offers clients trading of forex, CFDs and commodities via the Metatrader4 platform and FIX API connectivity. The firm underwent a variation of permissions in July 2018 to become a principal dealer classed as an IFPRU730K firm, a higher regulatory prudential category.

Business Model

Valutrades business model maximises use of the extensive experience the management team has within the industry to deliver competitive products supported by high levels of customer service and relevant content encouraging client engagement.

Geographical Reach

Valutrades focus is on all markets where it is allowed to operate covered by our core language competencies; English, Chinese, German, Portuguese, Russian and Spanish.

Our Objectives

Client Services: Clients are at the core of our business. We aim to provide high levels of customer service, as well as delivering educational content, to enhance our clients financial knowledge. Our ideology is to be a broker which people can trust and regularly communicate with, creating a loyal client base.

Pricing: Valutrades understand that one of the key considerations for our clients is the cost of trading. We look to always provide a competitively priced service, so our clients can focus on their trading strategies rather than cost.

Innovation: We continually look to improve our clients trading experience by improving our systems to support the trading solutions offered. This includes building additions to our CRM system, onboarding additional payment solutions & supplying our clients with option to multiple trading indicators.

VALUTRADES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Achieving our Objectives

People: Valutrades is committed to the recruitment of skilled and experienced people who have the determination and vision to help us build our firm into a market leader. We provide ongoing training to help the continuous development of our staff and value all staff's ideas and input.

Risk Management: Risk appetite is controlled via strong governance and oversight within defined risk parameters, approved by the board.

Financial strength: Valutrades maintains a capital and liquidity structure that is appropriate for the current size of the firm and for the future growth of the business. We have committed shareholders experienced in this industry willing to support the business.

BUSINESS ENVIRONMENT

Market Overview

Our market is a highly competitive market with numerous established companies. Our strategy for acquiring clients and retaining clients is to focus on excellent client service, competitive pricing and innovative technology. We believe in providing a personal experience tailored to an individual needs and engaging content. This helps engage with clients while keeping our marketing costs below industry averages.

Our People

We recognise that developing people's skills and expertise is the right thing for them, for us and for our clients. We believe that with the right environment and motivation, all employees will reach their full potential with us. Each employee is treated the same and we encourage free speech where everyone can voice their ideas, this enables us to keep on improving our service to our clients.

Equality and Diversity

The Group is committed to promoting and developing equality opportunity in all areas. We are an equal opportunities employer and do not discriminate on the grounds of gender, sexual orientation, marital or civil or partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age.

Employee Gender Diversity

	Female	Male
Employees	50%	50%

Environment Matters

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. Nevertheless, the Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made; these are generally concentrated in areas of energy conservation, recycling and waste control.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Principal risks and uncertainties

IFPRU 2.2.7 (2) of the FCA handbook refers to the identification and management of major sources of risk in specific categories where they are relevant to the Firm given the nature and scale of its business:

- Credit and Counterparty Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Concentration Risk
- Residual Risk
- Business Risk

In terms of the remaining risk categories listed in IFPRU 2.2.7 (2):

- Residual Risk, Securitisation Risk, Interest Rate risk, Group Risk and Risk of excessive leverage: Do not apply given the nature of Valutrades business model.

Credit and Counterparty Risk: The Company has a credit exposure to the banks with which it deposits funds and the counterparties with which it hedges its market positions. The Company mitigates this risk by ensuring diversification of counterparties and setting minimum levels of creditworthiness for Company counterparties.

Valutrades fully understands the impact of Credit and Counterparty Credit Risk on its business and therefore have put in place adequate controls and procedures to monitor these risks on a continuous basis. These would be monitored through use of technology through which reports would be generated for management review, real time identification of problem accounts, monitoring of exposure, and client margins.

Market Risk: Market risk is the vulnerability of firms to movements in the value of financial instruments held either by themselves, or by their clients. Valutrades is exposed to trading risk on any client positions which are not hedged, this risk is minimised by being monitored and managed dynamically. When Valutrades fully hedges a position, the firm is not exposed to market risk as orders are matched..

Liquidity Risk: Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company has established policies and a liquidity risk management framework to manage its liquidity risk, including daily production of liquidity reports that summarise current liquidity and liabilities. Liquidity is monitored daily by the directors.

Operational Risk: Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. VTL can count on operational support from the Directors should the need arise. However, as an independent firm, Valutrade's approach to mitigating operational risk is as follows:

- We have adequate working capital to cover expenses, savings would be held in highly rated bank deposit
- The recruitment, retention and motivation of high quality professionals
- Appropriate apportionment of responsibilities amongst senior management
- A risk based monitoring plan, the outcomes of which are reported to the senior partners
- Robust policies and procedures in respect of regulatory compliance, anti-money laundering and finance
- Regular maintenance and update of IT systems
- Continual reviewing and upgrading of internal controls and procedures

Concentration Risk: Concentration Risk is the probability of loss arising from heavily lopsided exposure to a particular group of counterparties. Valutrades mitigates this risk by using multiple liquidity providers and placing the company cash with more than one bank.

Business Risk: Business Risk is the exposure of Valutrade's business to risk caused by uncertainty in the macroeconomic environment, with specific consideration of earnings volatility and cost overruns in severely adverse conditions.

VALUTRADES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Business Risk is managed with a mid-term focus and is assisted by careful development of business plans, appropriate management oversight and an embedded corporate governance framework. Strategic Risk can be a manifestation of business risk as it is any diversion away from the business plan/risk appetite statement, due to changes in the environment or because management is unable to deliver the strategy as intended.

Pension Obligation Risk: Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to, or with respect to, a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason.

Valutrades operate a pension scheme in line with Government expectations via a reputable pension provider. The pension contributions are calculated by an external payroll company and are processed alongside salary payments.

Financial key performance indicators

Valutrades uses the following key performance indicators to measure its financial and operational performance on delivering the strategic goals of the business.

- Revenue
- Gross Profit
- Profit before tax
- Retail client funds held

The following information shows the key performance indicators at 31 December 2018 against the same period in the prior year.

KPI	2018	2017	Change
Revenue	£2,280,020	1,222,685	+86%
Gross Profit	£1,515,496	£878,556	+72%
Profit/ (Loss) before Tax	(£511,982)	(£296,329)	-72%
Retail client funds held	£2,327,769	£2,246,467	+1.1%

LOOKING FORWARD

2019 will be an exciting year for Valutrades as we look to build on the encouraging growth in revenue during 2018. Despite drastic regulation changes, the firm managed an 86% revenue increase on 2017. The current business strategy has been in place since 2016 with results consistent with expectations. The firm will continue this strategy, with further investments in technology, staff and business relationships expected in 2019 which will enhance Valutrades expected profitability.

Valutrades underwent a variation of permissions to become a principal dealer classed as an IFPRU730K firm, a higher regulatory prudential category. To achieve this classification, the firm invested in highly experienced, management staff, whose ideas and fresh input will enhance the companies plans to become one of the most respected and well-known Forex Brokers in the UK.

The shareholders continue to be supportive of the business which has been demonstrated through injection of additional capital, business expertise and infrastructural investment. The shareholders fully support the firms plans for 2019 and are excited for the future.

VALUTRADES LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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



.....
G. A. Watkins
Director

Date: 23-04-2019

VALUTRADES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

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

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

Results and dividends

The loss for the year, after taxation, amounted to £511,982 (2017 - loss £296,329).

No dividends were paid or proposed during the year (2017 - £Nil).

Directors

The Directors who served during the year were:

A. K. M. Bahirwani
L. A. Bonfield
H. Campbell-Lamerton (appointed 18 July 2018)
G. Foster (appointed 18 July 2018)
J. B. P. Ng
J. P. Thwaytes (appointed 18 July 2018)
G. A. Watkins
N. Whitehead (appointed 18 July 2018)

Future developments

The company expects to continue with its present activities.

VALUTRADES LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of Information to auditors

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

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

Post balance sheet events

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

Auditors

The auditors, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
G. A. Watkins
Director

Date: 23-04-2019

VALUTRADES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALUTRADES LIMITED

Opinion

We have audited the financial statements of Valutrades Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

VALUTRADES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALUTRADES LIMITED (CONTINUED)

our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

VALUTRADES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALUTRADES LIMITED (CONTINUED)

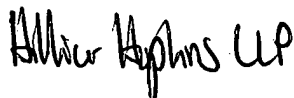
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Speller FCA (Senior Statutory Auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP

Date: 24/4/19

VALUTRADES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	2,280,020	1,222,685
Cost of sales		(764,524)	(344,129)
Gross profit		1,515,496	878,556
Administrative expenses		(2,038,267)	(1,175,928)
Operating loss	5	(522,771)	(297,372)
Interest receivable and similar income	9	10,789	1,043
Loss before tax		(511,982)	(296,329)
Loss for the financial year		(511,982)	(296,329)
Loss for the year attributable to:			
Owners of the parent company		(511,982)	(296,329)

There was no other comprehensive income for 2018 (2017: £NIL).


The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED
REGISTERED NUMBER: 07939901

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	44,893	41,919
Tangible assets	12	16,191	7,401
		<u>61,084</u>	<u>49,320</u>
Current assets			
Debtors: amounts falling due within one year	14	7,748,493	1,554,037
Cash at bank and in hand	15	2,106,781	1,186,504
		<u>9,855,274</u>	<u>2,740,541</u>
Creditors: amounts falling due within one year		<u>(8,113,042)</u>	<u>(1,903,134)</u>
Net current assets		<u>1,742,232</u>	<u>837,407</u>
Total assets less current liabilities		<u>1,803,316</u>	<u>886,727</u>
Net assets		<u><u>1,803,316</u></u>	<u><u>886,727</u></u>
Capital and reserves			
Called up share capital	17	5,836,576	4,408,005
Profit and loss account	18	(4,033,260)	(3,521,278)
		<u>1,803,316</u>	<u>886,727</u>

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



G. A. Watkins
 Director

Date: 23-04-2019

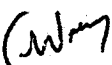
The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED
REGISTERED NUMBER: 07939901

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	44,893	41,919
Tangible assets	12	16,191	7,401
Investments	13	100	-
		<u>61,184</u>	<u>49,320</u>
Current assets			
Debtors: amounts falling due within one year	14	7,768,990	1,554,037
Cash at bank and in hand	15	2,086,209	1,186,504
		<u>9,855,199</u>	<u>2,740,541</u>
Creditors: amounts falling due within one year		<u>(8,110,642)</u>	<u>(1,903,134)</u>
Net current assets		<u>1,744,557</u>	<u>837,407</u>
Total assets less current liabilities		<u>1,805,741</u>	<u>886,727</u>
Net assets		<u>1,805,741</u>	<u>886,727</u>
Capital and reserves			
Called up share capital	17	5,836,576	4,408,005
Profit and loss account brought forward		(3,521,278)	(3,252,487)
Loss for the year		(509,557)	(296,329)
Other changes in the profit and loss account		-	27,538
Profit and loss account carried forward		<u>(4,030,835)</u>	<u>(3,521,278)</u>
		<u>1,805,741</u>	<u>886,727</u>

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



G. A. Watkins
 Director

The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent Company £	Total equity £
At 1 January 2017	4,408,005	(3,252,487)	1,155,518	1,155,518
Loss for the year	-	(296,329)	(296,329)	(296,329)
Taxation in respect of items of other comprehensive income	-	27,538	27,538	27,538
At 1 January 2018	4,408,005	(3,521,278)	886,727	886,727
Loss for the year	-	(511,982)	(511,982)	(511,982)
Shares issued during the year	1,428,571	-	1,428,571	1,428,571
At 31 December 2018	5,836,576	(4,033,260)	1,803,316	1,803,316

The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	4,408,005	(3,252,487)	1,155,518
Loss for the year	-	(296,329)	(296,329)
Taxation in respect of items of other comprehensive income	-	27,538	27,538
At 1 January 2018	4,408,005	(3,521,278)	886,727
Loss for the year	-	(509,557)	(509,557)
Shares issued during the year	1,428,571	-	1,428,571
At 31 December 2018	5,836,576	(4,030,835)	1,805,741

The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(511,982)	(296,329)
Adjustments for:		
Amortisation of intangible assets	23,212	7,015
Depreciation of tangible assets	6,737	2,882
Interest received	(10,789)	(1,043)
(Increase) in debtors	(6,194,456)	(112,599)
Decrease in amounts owed by related parties	-	2,246,207
Increase/(decrease) in creditors	6,207,747	(1,804,147)
Increase in amounts owed to related parties	-	200,000
PY adjustment	-	27,538
Net cash generated from operating activities	(479,531)	269,524
Cash flows from investing activities		
Purchase of intangible fixed assets	(26,186)	(48,934)
Sale of intangible assets	-	(8,922)
Purchase of tangible fixed assets	(15,527)	-
Interest received	10,789	1,043
Net cash from investing activities	(30,924)	(56,813)
Cash flows from financing activities		
Issue of ordinary shares	1,428,571	-
Net cash used in financing activities	1,428,571	-
Net increase in cash and cash equivalents	918,116	212,711
Cash and cash equivalents at beginning of year	1,186,204	973,493
Cash and cash equivalents at the end of year	2,104,320	1,186,204
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,106,781	1,186,504
Bank overdrafts	(2,461)	(300)
	2,104,320	1,186,204

The notes on pages 17 to 29 form part of these financial statements.

VALUTRADES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Valutrades Limited is a limited company incorporated in the England and Wales, limited by share capital.

Its registered office and principal place of business is 1 Primrose Street, London, EC2A 2EX.

The principal activity of the company is that of an online financial services business that offers clients trading of forex, CFDs and commodities via the Metatrader4 platform and FIX API connectivity.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for a period of at least 12 months from following the approval of these financial statements.

Despite the group making a loss of £511,982 (2017 - £296,329), the Directors consider it appropriate to prepare the financial statements on the going concern basis on the basis of its strong balance sheet at year end and the additional £200,000 capital injection raised by converting a shareholders loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents the difference between the total value of profitable trades and the total value of loss making trades including closed trades, open market positions, net brokerage costs and hedging gains or losses as at the balance sheet date.

2.6 Operating leases: the Group as lessee

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

2.7 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Office equipment	- Straight line over 3 years
Computer equipment	- Straight line over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Cash and cash equivalents

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

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

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Client bank accounts

The company operates designated client bank accounts in accordance with the Client Money regulations of the Financial Conduct Authority (FCA). These accounts do not represent funds of the Company and so the deposits are not recognised in the company's statement of financial position. See note 21 for details of the balances held.

VALUTRADES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgments or estimations are necessarily applied are summarised below.

Depreciation and Intangible Assets

The Directors have reviewed the asset lives and associated residual values of all fixed and intangible assets, and have concluded that asset lives and residual values are appropriate.

4. Turnover

Turnover is attributable to multiple income streams, including: Margins, Rebates, Swaps, Hedging and Rental Income.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	1,571,336	807,292
Cyprus	708,684	415,393
	<u>2,280,020</u>	<u>1,222,685</u>

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	6,737	6,737
Amortisation of intangible assets, including goodwill	23,212	7,015
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	11,000	9,000
Exchange differences	(285,067)	49,138
Other operating lease rentals	100,943	69,966
Defined contribution pension cost	7,216	1,920
	<u></u>	<u></u>

VALUTRADES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	11,000	9,000
	<hr/>	<hr/>
Fees payable to the Group's auditor and its associates in respect of:		
All other services	4,400	4,000
	<hr/>	<hr/>
	4,400	4,000
	<hr/>	<hr/>

7. Employees

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

	Group 2018 £	<i>Group</i> <i>2017</i> £	Company 2018 £	<i>Company</i> <i>2017</i> £
Wages and salaries	735,316	<i>377,800</i>	735,316	<i>377,800</i>
Social security costs	85,802	<i>33,649</i>	85,802	<i>33,649</i>
Cost of defined contribution scheme	7,216	<i>1,920</i>	7,216	<i>1,920</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	828,334	<i>413,369</i>	828,334	<i>413,369</i>
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2018 No.	2017 No.
Management	3	2
Sales & marketing	6	2
Operations	7	3
	<hr/>	<hr/>
	16	7
	<hr/>	<hr/>

The Company has no employees other than the Directors, who did not receive any remuneration (2017 - £NIL)

VALUTRADES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	<u>315,432</u>	<u>204,356</u>

The highest paid Director received remuneration of £111,146 (2017 - £107,425).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £1,005 (2017 - £Nil).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	<u>10,789</u>	<u>1,043</u>

10. Taxation

Due to losses in the current and prior period, no taxation charge is due.

VALUTRADES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(511,982)</u>	<u>(296,329)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(97,277)	(57,043)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,066	4,347
Capital allowances for year in excess of depreciation	(1,708)	(1,163)
Changes in provisions leading to an increase (decrease) in the tax charge	88	45
Unrelieved tax losses carried forward	90,831	53,814
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

On 8 July 2015 the Chancellor of the Exchequer announced a reduction in the main rate of UK corporation tax to 17 per cent with effect from 1 April 2020. These changes were substantively enacted on 26 October 2015.

The group has carried forward losses of £3,907,021 (2017 - £3,428,969) to be utilised against future trading profits.

VALUTRADES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Intangible assets

Group and Company

	Computer software £
Cost	
At 1 January 2018	48,934
Additions	26,186
At 31 December 2018	<u>75,120</u>
Amortisation	
At 1 January 2018	7,015
Charge for the year	23,212
At 31 December 2018	<u>30,227</u>
Net book value	
At 31 December 2018	<u><u>44,893</u></u>
At 31 December 2017	<u><u>41,919</u></u>

All of the Group's intangible fixed assets are held in the Parent company

VALUTRADES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Tangible fixed assets

Group and Company

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2018	399	10,008	10,407
Additions	589	14,938	15,527
At 31 December 2018	988	24,946	25,934
Depreciation			
At 1 January 2018	89	2,917	3,006
Charge for the year on owned assets	247	6,490	6,737
At 31 December 2018	336	9,407	9,743
Net book value			
At 31 December 2018	652	15,539	16,191
At 31 December 2017	310	7,091	7,401

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
Additions	100
At 31 December 2018	100

VALUTRADES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Content (UK) Business Consulting Limited	Ordinary	100%
Shanghai Yuxuan Business Consulting Limited (subsidiary of Content (UK) Business Consulting Limited)	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Content (UK) Business Consulting Limited	(2,325)	(2,425)
Shanghai Yuxuan Business Consulting Limited (subsidiary of Content (UK) Business Consulting Limited)	-	-

Under the wholly owed foreign entity statute and on the establishment of Shanghai Yuxuan Business Consulting Limited, its parent company Content (UK) Business Consulting Limited is committed to subscribe to \$50,000 of share capital and invest a total of \$70,000 in the form of currency by 20 May 2048.

14. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	62,714	29,459	62,714	29,459
Amounts owed by group undertakings	-	-	20,497	-
Other debtors	178,737	96,660	178,737	96,660
Prepayments and accrued income	35,479	41,407	35,479	41,407
Broker debtors	7,471,563	1,386,511	7,471,563	1,386,511
	<u>7,748,493</u>	<u>1,554,037</u>	<u>7,768,990</u>	<u>1,554,037</u>

VALUTRADES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	2,106,781	1,186,504	2,086,209	1,186,504
Less: bank overdrafts	(2,461)	(300)	(2,461)	(300)
	<u>2,104,320</u>	<u>1,186,204</u>	<u>2,083,748</u>	<u>1,186,204</u>

16. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank overdrafts	2,461	300	2,461	300
Trade creditors	81,779	32,962	81,779	32,962
Broker creditors	259,974	-	259,974	-
Other taxation and social security	35,419	14,567	35,419	14,567
Other creditors	219,080	212,101	219,080	212,101
Accruals and deferred income	42,892	48,527	40,492	48,527
Professional client balances	7,471,437	1,594,677	7,471,437	1,594,677
	<u>8,113,042</u>	<u>1,903,134</u>	<u>8,110,642</u>	<u>1,903,134</u>

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
3,632,574 (2017 - 2,204,003) Ordinary A shares shares of £1.00 each	3,632,574	2,204,003
1,785,443 (2017 - 2,204,002) Ordinary B shares shares of £1.00 each	1,785,443	2,204,002
418,559 (2017 -) Ordinary C shares shares of £1.00 each	418,559	-
	<u>5,836,576</u>	<u>4,408,005</u>

During the year, the company allotted £1,428,571 ordinary A shares with a nominal value of £1 and issued at par. Additionally the company converted 418,559 ordinary B shares into ordinary C shares.

After the year end on 27 March 2019, the company allotted a further 200,000 Ordinary A shares with a nominal value of £1 and issued at par.

VALUTRADES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. Reserves

Profit and loss account

Profit and loss account includes all the current and prior period retained profits and losses.

19. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £7,216 (2017 - £1,920). Contributions totalling £nil (2017 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

20. Commitments under operating leases

At 31 December 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Group		
Not later than 1 year	<u>46,882</u>	<u>81,406</u>

21. Client Bank Accounts

The company operates 16 client money bank accounts. At the reporting date the total balance of these accounts was £2,325,769 (2017 - £2,246,467)

22. Related party transactions

During the year the Company provided services to a Company under common control, amounting to £1,386,509 (2017: £514,678).

As at the year end, the Company owed £259,974 (2017: £1,386,511) to a Company with common directors.

23. Controlling party

The controlling party is A. K. M. Bahrwani, the majority shareholder of the Company.



Unaudited Pillar 3 Disclosures

2018

Capital Requirements Directive - Pillar 3 Disclosure

Introduction

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The requirements of the CRD have been outlined by Financial Conduct Authority (FCA) rules and guidance within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Investment Firms (IFPRU). Pillar 3 also incorporates the provisions of Systems and Controls (SYSC 19) related to remuneration.

On 26 June 2013 the European Parliament and Council approved the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD"), which together comprised CRD IV. This came in to force from 1 January 2015 with the CRR directly binding on all EU member states while the CRD needed to be incorporated into national law by the same date. CRD IV replaced the then existing capital requirements for banks, building societies and a number of investment firms and, for firms within its scope, remained applicable at a solo (entity), sub-consolidated and consolidated basis.

Under CRD IV, Valutrades Limited ("the firm") was classed an IFPRU 125k firm (as defined by the FCA) as at 31 December 2018 and complied with the EU CRR and the FCA's IFPRU handbook. CRD IV introduced a stricter definition of capital resources, increased capital requirements, increased reporting obligations (COREP), binding liquidity ratios and new requirements on remuneration.

As at 31 December 2018, the Firm remained comfortably in excess of its minimum capital requirements under CRD IV. This document has been developed and published by Valutrades Limited ("the Firm") in order to provide material information for market participants to assess key information about the Company's risk management objectives and controls, its remuneration policies and its capital position.

Overview

The Capital Requirements Directive IV ("CRD") of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit & counterparty credit, market and operational risks.
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital.
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

The rules in the PRA and FCA Prudential Sourcebook for Investment Firms ("IFPRU") set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 disclosure obligations.

Frequency

The Firm will make Pillar 3 disclosures annually. The disclosures will be as at the Accounting Reference Date ("ARD") which is currently 31 December.

Variation of permissions during 2018

The firm underwent a variation of permissions in July 2018 to become a principal dealer classed as an IFPRU730K firm, a higher regulatory prudential category. As such, the firm's capital structure was amended accordingly, and this new capital structure and associated risk exposures will be reflected in the firm's Pillar 3 disclosure as at 31 December 2018.

Media and Location

The disclosure is published on our website within the document library.

Verification

The information contained in this document has not been audited by the Firm's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgment on Valutrades Limited.

Materiality and Confidentiality

The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where the Firm has considered a disclosure to be immaterial. We have stated this in the document.

In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

Corporate Background

The Firm

The Firm is incorporated in the UK and is authorised and regulated by the FCA to provide execution only trading services. Valutrades Limited is permitted to deal with all customer types - retail, professional and eligible counterparties. The firm may hold and control client money. The Firm's activities gave it a prudential categorisation of an IFPRU €125k "Limited Licence" firm as at 31 December 2017. The prudential categorisation subsequently changed to IFPRU730K in July 2018 during the current financial year.

The Firm is considered a Proportionality level three firm for the purposes of the FCA's Remuneration Code. This allows it to disapply many of the technical requirements of the Code

and proportionately applies the Code's rules and principles in establishing its Remuneration Policy.

Scope of Disclosure

The scope of this Pillar 3 disclosure applies to Valutrades Limited; the disclosure is produced on an individual basis.

Risk Management and Risk Categories

Risk Management

The Firm's Chief Risk Officer ('CRO') is ultimately responsible for the overall risk management approach of the Firm and for approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and Implemented.

The Firm had exposure to the following risks as at 31 December 2018:

- Credit Risk
- Liquidity Risk
- Operational Risk
- Foreign Exchange Risk

Risk Management by Category as at 31 December 2018

Market Risk –Trading

Market risk is the vulnerability of firms to movements in the value of financial instruments held either by themselves, or by their clients. Valutrades is exposed to trading risk on any client positions which are not hedged, this risk is managed is minimised by being monitored and managed dynamically. When Valutrades hedges a position, the firm is not exposed to market risk as orders are matched.

Credit Risk

The Firm has credit risk with banks with which it deposits funds and market counterparties. The firm sets limits as to the maximum exposure for each counterparty and where possible requests for its funds to receive client money protection to reduce exposure to credit risk. The Firm's credit risk is also the risk that clients will cause a financial loss for the Firm by failing to discharge their financial obligations to it.

The Firm has negligible client credit risk as it requires clients to place a margin or deposit in their account for all trades before they are permitted to deal with the Firm. The Firm has a formal margin policy and clients must top up their margin to pre-set levels if they fall below these, or the Firm may enforce the liquidation of one or more of their open positions.

The Firm does not extend credit over and above clients being permitted to trade at the Firm's pre-set margin levels, nor does it accept financial instruments other than cash by way of collateral. This further mitigates any credit risk to the Firm.

Liquidity Risk

Liquidity risk is the risk that the Firm will encounter difficulty in meeting its financial obligations. The Firm's approach to liquidity is to ensure that as far as possible it will always have sufficient liquidity to meet its clients' and brokers' margin requirements and liabilities when they fall due. This is achieved by ongoing monitoring of the Firm's available working capital as compared with the amounts due to clients and counterparties, as settled daily to their respective P&Ls.

Any failure by the Firm to meet its payment obligations could result in market counterparties closing the Firm's hedging positions or failure to meet client withdrawal requests, either of which would have material adverse consequences for the Firm's business. The cash position of the Firm is therefore monitored closely and contingency plans are always in place to meet unexpected demands.

Operational Risk

The Firm's operational risk is the risk that the Firm will derive losses through inherent failure in its processes, personnel, technology or infrastructure or by external forces impacting on any of these. These risks are countered through regular assessment of the likelihood of these risks as part of the Firm's ongoing internal risk management procedures, including maintaining a fully up-to-date risk register and ICAAP, and contingency planning for how to deal with such risks arising. The Firm's ICAAP also details expected costs which would be associated with risks which cannot be fully mitigated, and these are taken into account when planning the Firm's capital.

Foreign Exchange Risk

The Firm operates globally and uses pounds sterling as its functional currency and is thus exposed to foreign exchange risk on the non-trading book arising from various currency combinations. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures. Due to changes in global markets currency combinations will also change within a financial year.

Capital

Capital Management

The Firm's objectives when managing capital are to safeguard the Firm's ability to continue as a going concern and to ensure there is always adequate capital to meet trading requirements, margin requirements, ongoing working capital requirements and the FCA's capital requirements.

In order to maintain or adjust the capital structure, the Firm may issue new shares to its shareholders.

Capital is managed through budgeting, forecasting and monthly entity and consolidated capital reporting.

Capital Resources

The Firm regards its capital position to include all financial assets and liabilities; therefore the year end capital position was £844,808.

Capital Adequacy

Valutrades has a regulatory obligation to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate both as to the amount and quality, to ensure there is no significant risk that its liabilities cannot be met as they fall due.

Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP formally records the assessment as to whether a firm's capital and liquidity resources are sufficient to cover the risks identified in the Risk Management Framework. Valutrades ICAAP is updated and formally approved by the Board on at least an annual basis.

Remuneration

Remuneration Disclosure

Under the FCA's Remuneration Code, Valutrades Limited has determined that it is a Level 3 firm, which allows it to disapply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing Its Remuneration Policy.

Decision making Process for Remuneration Policy

Due to the Firm's size and scale, the Remuneration Policy was determined and administered by the Firm's Directors.

The Firm's currently pays discretionary variable remuneration, but only to a limited extent. Not all employees' remuneration is fixed. Variable, discretionary and periodic bonuses are agreed where necessary by the Firm's Directors.

Code Staff Criteria

The following groups of employees have been identified as meeting the FCA's criteria for Code Staff:

- Any employee holding a significant influence function

The Link between Pay and Performance for Code Staff

Code staff remuneration is made up of fixed (basic salary), plus discretionary bonuses.

Aggregate Quantitative Information on Remuneration for Code Staff

For the year ending 31st December 2018, there were four Code Staff employed across the year (as defined above).

All were senior management. Aggregate remuneration expenditure in respect of Code Staff was £301,891.

Remuneration expenditure was divided between fixed and variable remuneration as follows:

- Fixed remuneration: £301,891
- Variable remuneration: £18,027
- Number of beneficiaries: 4

Fixed remuneration consists of basic salaries only while variable remuneration consists of bonus payments.

Technical criteria on disclosure not relevant to The Firm

Risk exposures IRB approach

These disclosures are not required as the Firm has not adopted the Internal Ratings Based (IRB) approach to Credit Risk and therefore is not affected.

Credit risk and dilution risk

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed.

Firms calculating risk weighted exposure amounts In accordance with the standardised approach

This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights.

Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit and therefore is not affected.

Use of VaR model for calculation of market risk capital requirement

This disclosure is not required as the Firm does not use a VaR model for calculation of Market Risk Capital Requirement.

Non-trading book exposures in equities

This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.

Exposures to Interest Rate Risk in the Non-Trading Book

Although the Firm has cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.

Securitisation

This disclosure is not required as the Firm does not securitise its assets.