



Alquity UK Limited

Directors' report and consolidated financial statements  
For the year ended

30 June 2014

Registered number 07992381

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# **ALQUITY UK LIMITED**

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## **Directors' Report**

The directors present their Directors' Report and financial statements for the year ended 30 June 2014

## **Principal Activity**

The principal activities of the Alquity UK Limited Group are to provide investment management and broker support services to investment funds

Alquity UK Limited ("AUKL") is the holding company for the Alquity Group, which includes its subsidiaries Alquity Investment Management Limited ("AIML") and Alquity (Asia) Limited ("AAL"), a Hong Kong based subsidiary. AIML is a United Kingdom based subsidiary providing investment management and broker support services to the Alquity Fund. AIML also provides operational and broker support services to the Smoothed Growth Investments ("SGI") family of funds for which services are invoiced to Alquity Group Limited ("AGL"). AIML and AAL incur various costs including staff costs on behalf of AGL.

## **Business review**

In 2010, we set out on a journey to build a different type of investment management business. Alquity's operating model is built around a Virtuous Circle, based around 3 interconnected pillars

- **Attractive Returns** – generate strong returns from investors with a non-benchmarked approach to stock selection,
- **Responsible Investment** – we use forward-looking ESG (Environmental, Social and Governance) analysis to enhance our long-term returns, whilst minimising volatility and risk. This approach means we have a greater understanding of the companies we invest in,
- **Transforming Lives** – we donate up to 25% of our management fees to support micro-finance in the areas we invest in. This provides a hand-up to these communities at no-cost to our investors, and also generates economic stimulus for these same economies over the long-term

Four years on from the launch of the business, the progress we have made demonstrates that Responsible Capitalism is a viable concept. Africa has been the heart of our business as we enhanced the ESG selection process and developed relationships with new distributors, platforms and IFAs, improving awareness of our brand and increasing AUM flow.

## **Further strengthening of our operating model and leadership team**

Growth in AUM and a successful EIS fundraise meant 2012/13 was a successful year. This gave us a solid platform to enter 2013/14 with a confident outlook and a clear plan.

The focus for 2013/14 has been building on the strength of Africa Fund and investment in a larger and more focused Sales Team to accelerate growth in Assets Under Management (AUM). The support we have received from new platform distributors like Cofunds and Skandia has been exceptional for a business our size, and reinforces the fact that our unique business model has a real point of difference. Forward-looking ESG analysis ensures our fund managers have a deep and informed understanding of

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

the companies they invest in By identifying well-run companies we believe this reduces risk, enhances long-term shareholder returns, and reduces fund volatility

Our Senior Leadership team has been strengthened with the appointment of top talent to the AUK Board Mike Warren joins from Thames Capital, HSBC and DWS bringing a wealth of fund management experience Neil Sandy joins the Board in his capacity as Chief Operating Officer of Truestone Asset Management

### **Broadening our product range**

As we build towards the future, capitalising on our success so far to expand our brand appeal is a key building block of our growth plans During 2013/14 we made the exciting addition of new complementary funds to our product range, providing access to wider geographical investment coverage in Latin America, India and Asia These new funds build on the principles of Alquity Africa Fund and enable us to offer an enhanced range of investment opportunities to our existing investors and help us attract new ones too We were joined on this journey by two new Fund Managers, both from established major investment companies

Mike Sell joined in early 2014 to run our new Alquity Indian Subcontinent and Alquity Asia Funds Mike joins Alquity from F&C where he was responsible for the Traditional Funds Emerging Asia, Global Emerging Markets and Asian Alpha funds Roberto Lampl joined in late 2013 and heads up our new Alquity Latin America Fund Roberto has over 20 years' experience in investment management at Baring Asset Management as Head of Latin America Equities and Head of Global Emerging Market (GEM) equity funds Roberto also manages the Alquity Future World Fund, which combines the best stock ideas from each of the other geographical funds to form an all encompassing and exciting GEM product

A significant amount of effort has been invested to complete the legal setup of the new funds, and secure regulatory approval to trade in new territories Now it's about selling and leveraging the Alquity brand with a broader range choices for our distributors

### **The results demonstrate our progress and we have a business model that works**

In 2013/14 we grew our AUM by 151% (+\$58m) to US\$95m as we closed the financial year This was another year of continued success through a combination of strong growth in Africa Fund of US\$42m, combined with money for the new funds of US\$16m The Alquity Africa Fund performance has been strong, with the USD I Class share price rising by 16.4% during the year This fund performance compares favourably to an increase of 11.7% growth in the MSCI Emerging Markets Index Strong performance helps in marketing our funds to potential investors This level of share price growth meant we hit above the thresholds required to trigger £515,000 in performance fees. As we don't budget for performance fees in our financial projections they provide a welcome source of additional cash to help accelerate our future growth

As I write, we have just passed US\$100m in AUM, which represents an important milestone in the growth journey of our business, and more significantly on a commercial basis enables us to engage to a broader range of institutional investors We continue to build and strengthen our relationships with existing platforms like Hargreaves Landsdown, and adding new platforms with Axa & Nucleus where we can leverage our brand credentials to get listed by these distributors

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

### **Transforming lives remains at the core of our business model**

In the last 12 months I am particularly proud of the fact that we donated £166,000 towards our Transforming Lives Programmes, a 140% increase on the year before. It's confirmation that you can do good whilst delivering attractive returns.

Alquity's contribution to micro-financing projects is making a real difference. Helping people like Augustina Abagumbire help themselves and their families.

Augustina is a member of the Natugnia Microfinance Group that we support through Afrikids in Ghana. She is a seamstress and uses her loans to buy clothes in bulk and then she generates almost double the income from the clothes she sells by using the cut-offs from pairs of trousers to make shorts for children. The income from this allows her to support her family alone. Through our work we are helping her secure a better future for her family.

Our relationships with charity partners continue to build. We have started to support the Young Entrepreneur Programme with our Charity partner Afrikids. This programme helps provide support to young adults moving on from Mama Laadi's Foster Home. At the end of their stay there, the education or training the young adults are provided with gives them the tools needed to either set up in business or pursue a professional career. Our Donations Committee has also started working with new charity partners in Latin America linking to the growth in our new funds there.

### **Final thoughts**

Our progress has been good, the growth trajectory in a competitive market place has continued, and we are pleased with the results. The quality of our team continues to improve as we recruit new talent into the business and strengthen it from within. With five funds now trading and an increase in presence on more platforms, the focus through 2014/15 is leveraging brand strength and converting that into growth in assets. The business is still loss making, which is planned, so therefore executing on our plans to reach profitability remains a key priority.

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

### **Financial Statements**

The loss of £109,844 for the year ended 30 June 2014 (2013 £438,763) and the state of the company's affairs at that date are set out in pages 8 to 10 of the financial statements

### **Dividend**

The directors do not recommend the payment of a dividend

### **Directors**

The following directors have held office in the period

Mr P Robinson

Mr S Mistry

Mr J Devine (resigned 31<sup>st</sup> January 2014)

Mr C Wehbe

Mr M Pollard (resigned 23<sup>rd</sup> May 2014)

Mr M Warren (appointed 31<sup>st</sup> January 2014)

Mr N Sandy (appointed 23<sup>rd</sup> May 2014)

### **Going concern**

The current economic environment is challenging and the groups main operating company, AIML, has reported an operating loss for the year. The company's future performance in the markets in which it operates will be influenced by macro-economic financial, credit and liquidity conditions which are generally outside of the company's control. The directors consider that the outlook presents some challenges in terms of new subscriptions to the funds and growth in the value of assets under management. The directors have instituted measures to preserve cash and secure additional finance. Whilst these circumstances create uncertainties over future trading results and cash flows, the shareholders have confirmed their full support and intention to continue to fund the business through this growth stage.

AIML issued 30.5 million ordinary shares of £0.01 each during the year, to maintain its regulatory capital requirements. The directors have considered the financial plan and cash flow projections prepared by the management and believe that the company will likely make a loss for the financial year ending June 2015. In the short term any change from loss to profit will be driven by performance fees. In the meantime the Group will have to issue additional shares to maintain its regulatory capital requirements for the foreseeable future.

The directors have recognised that the combination of these circumstances represents uncertainty that could cast doubt upon the company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual financial statements.

The principal assumptions made by the directors in determining that the going concern basis is the correct basis for the preparation of these financial statements are set out in Note 1.

Further information regarding the financial position of the company, its cash flows and liquidity position are described in the notes to the financial statements on pages 12 to 25. In addition notes 15 to 16 to the financial statements include the company's objectives, policies and processes for managing its capital, its

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

financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

### **Auditors**

Saffery Champness were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting

### **Statement of directors' responsibilities**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 2006

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006. The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union

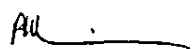
International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

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

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

By order of the board



Paul Robinson  
Director  
5<sup>th</sup> Floor, 9 Kingsway  
London WC2B 6XF

Date 16/01/15

## **Independent auditors report to the Members of Alquity UK Limited**

We have audited the group financial statements (the “financial statements”) of Alquity UK Limited for the year ended 30 June 2014 which comprise the consolidated Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (‘IFRS’) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the group’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 group’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 group and the group’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the affairs of the group and the parent company as at 30 June 2014 and of the group’s loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006



## **Independent auditors report to the Members of Alquity UK Limited (continued...)**

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £109,884 during the year ended 30 June 2014 and is reliant on ongoing shareholder support. This and other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty that may cast doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us,
- the parent company financial statements are not in agreement with the accounting records and returns,
- 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
- the directors were not entitled to take advantage of the Small Companies Exemption from the requirement to prepare a Strategic Report



**Michael Di Leto (Senior Statutory Auditor)  
For and on behalf of Saffery Champness**

Chartered Accountants  
Statutory Auditors

16 January 2015

Lion House  
Red Lion Street  
London  
WC1R 4GB

## Statement of Comprehensive Income for the year ended 30 June 2014

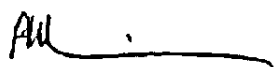
	<i>Notes</i>	<i>Year ended 30 June 2014 £</i>	<i>Period ended 30 June 2013 £</i>
<b>Revenue</b>	2	2,141,716	337,646
<b>Other income</b>	2a	<u>16,533</u>	<u>366</u>
<b>Total revenue</b>		2,158,249	338,012
<b>Cost of sales</b>		<u>(368,399)</u>	<u>(115,553)</u>
<b>Gross profit</b>		1,789,850	222,459
<b>Staff cost and directors' remuneration</b>	4	(1,219,921)	(308,564)
<b>Depreciation</b>	8	(16,209)	(4,320)
<b>Administrative expenses</b>		<u>(650,200)</u>	<u>(348,338)</u>
<b>Operating loss</b>		(96,480)	(438,763)
<b>Finance costs</b>		<u>(13,364)</u>	<u>-</u>
<b>Loss before taxation</b>	3	(109,844)	(438,763)
<b>Taxation</b>	5	<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year</b>		<u><u>(109,844)</u></u>	<u><u>(438,763)</u></u>

The notes on pages 12 to 25 form part of these financial statements

**Consolidated statement of financial position**  
**As at 30 June 2014**

	<i>Notes</i>	<i>Group 2014 £</i>	<i>Company 2014 £</i>	<i>Group 2013 £</i>	<i>Company 2013 £</i>
<b>ASSETS</b>					
<b>Non-Current assets</b>					
Property, plant and equipment	8	26,995	-	28,218	-
Investment in subsidiary	6	-	8,610,484	-	8,305,010
Intangible assets	9	<u>7,104,563</u>	<u>-</u>	<u>7,104,563</u>	<u>-</u>
		7,131,558	8,610,484	7,132,781	8,305,010
<b>Current assets</b>					
Management and performance fee receivables	10	594,756	-	126,298	-
Prepayments and other receivables	11	1,164,659	7,451	837,184	160
Investments		7,486	-	2,301	-
Cash and cash equivalents	12	<u>112,021</u>	<u>1,760</u>	<u>185,370</u>	<u>29,848</u>
		<u>1,878,922</u>	<u>9,211</u>	<u>1,151,153</u>	<u>30,008</u>
<b>TOTAL ASSETS</b>		<u><u>9,010,480</u></u>	<u><u>8,619,695</u></u>	<u><u>8,283,934</u></u>	<u><u>8,335,018</u></u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accrued charges and other payables	13	<u>785,196</u>	<u>8,348</u>	<u>272,256</u>	<u>8,363</u>
		<u>785,196</u>	<u>8,348</u>	<u>272,256</u>	<u>8,363</u>
<b>Non-Current Liabilities</b>					
Accrued charges		107,953	-	-	-
Loans	14	<u>3,944,950</u>	<u>3,944,950</u>	<u>3,726,111</u>	<u>3,726,111</u>
		<u>4,052,903</u>	<u>3,944,950</u>	<u>3,726,111</u>	<u>3,726,111</u>
<b>TOTAL LIABILITIES</b>		<u><u>4,838,099</u></u>	<u><u>3,953,298</u></u>	<u><u>3,998,367</u></u>	<u><u>3,734,474</u></u>
<b>NET ASSETS</b>		<u><u>4,172,381</u></u>	<u><u>4,666,397</u></u>	<u><u>4,285,567</u></u>	<u><u>4,600,544</u></u>
<b>EQUITY</b>					
Share capital	15	215	215	215	215
Share premium	15	4,724,105	4,724,105	4,724,105	4,724,105
Translation reserve	15	(3,332)	-	10	-
Retained earnings	15	<u>(548,607)</u>	<u>(57,923)</u>	<u>(438,763)</u>	<u>(123,776)</u>
<b>TOTAL EQUITY</b>	15	<u><u>4,172,381</u></u>	<u><u>4,666,397</u></u>	<u><u>4,285,567</u></u>	<u><u>4,600,544</u></u>

These financial statements were approved by the board of directors on 16/01/15 and were signed on behalf by



Paul Robinson  
**Director**

The notes on pages 12 to 25 form part of these financial statements

**Consolidated statement of changes in equity  
for the year ended 30 June 2014**

<b>Group</b>	<b>Note</b>	<b>Share Capital</b>	<b>Share Premium and other reserves</b>	<b>Retained earnings/ (accumulated losses)</b>	<b>Total</b>
		£	£	£	£
Ordinary share capital introduced	15	160	-	-	160
Preferred ordinary share capital introduced	15	17	1,064,983	-	1,065,000
Preference share capital introduced	15	38	3,749,962	-	3,750,000
Translation reserve	15		10		10
Costs of raising equity finance	15	-	(90,840)	-	(90,840)
Total comprehensive loss for the period		-	-	(438,763)	(438,763)
<b>Balance at 30 June 2013</b>	15	<u>215</u>	<u>4,724,115</u>	<u>(438,763)</u>	<u>4,285,567</u>
Translation reserve	15	-	(3,332)	-	(3,332)
Total comprehensive loss for the year	15	-	-	(109,844)	(109,844)
<b>Balance at 30 June 2014</b>	15	<u>215</u>	<u>4,720,783</u>	<u>(548,607)</u>	<u>4,172,381</u>

<b>Company</b>	<b>Note</b>	<b>Share Capital</b>	<b>Share Premium and other reserves</b>	<b>Retained earnings/ (accumulated losses)</b>	<b>Total</b>
		£	£	£	£
Ordinary share capital introduced	15	160	-	-	160
Preferred ordinary share capital introduced	15	17	1,064,983	-	1,065,000
Preference share capital introduced	15	38	3,749,962	-	3,750,000
Costs of raising equity finance	15	-	(90,840)	-	(90,840)
Total comprehensive loss for the period		-	-	(123,776)	(123,776)
<b>Balance at 30 June 2013</b>	15	<u>215</u>	<u>4,724,105</u>	<u>(123,776)</u>	<u>4,600,544</u>
Total comprehensive income for the year	15	-	-	65,853	65,853
<b>Balance at 30 June 2014</b>		<u>215</u>	<u>4,724,105</u>	<u>(57,923)</u>	<u>4,666,397</u>

The notes on pages 12 to 25 form part of these consolidated financial statements

**Consolidated cash flow statement  
for the year ended 30 June 2014**

	<i>Note</i>	<b>Group 2014 £</b>	<b>Company 2014 £</b>	<b>Group 2013 £</b>	<b>Company 2013 £</b>
<b>Operating activities</b>					
(Loss) / profit before taxation		(96,480)	79,218	(438,763)	(123,776)
Adjustments for					
- Depreciation and amortisation	8,9	16,209	-	4,320	-
- Translation difference		(3,342)	-	10	-
<b>Operating cash flows before working capital changes</b>		(83,613)	79,218	(434,433)	(123,776)
Increase in management and performance fees receivable		(468,458)	-	(126,298)	-
Increase in prepayments and other receivables		(327,475)	(7,291)	(153,168)	(160)
Increase in investments for resale		(5,185)			
Increase/(decrease) in accrued charges and other payables		620,894	(15)	64,217	8,363
Net debt acquired from purchase of subsidiary		-	-	(109,624)	-
<b>Net cash (outflow)/inflow from operating activities</b>		(263,837)	71,912	(759,306)	(115,573)
<b>Investing activities</b>					
Purchase of fixed assets		(14,986)	-	(5,755)	-
Subscription of new shares in subsidiary company		-	(305,474)	-	(805,010)
<b>Net cash used in investing activities</b>		(14,986)	(305,474)	(5,755)	(805,010)
<b>Cash from financing activities</b>					
Net proceeds from issue of ordinary shares		-	-	160	160
Proceeds from issue of preferred ordinary shares		-		1,065,000	1,065,000
Costs of raising equity finance		-		(90,840)	(90,840)
Loan repayments		(100,000)	(100,000)	(23,889)	(23,889)
Loan receipts		305,474	305,474	-	-
<b>Net cash from financing activities</b>		205,474	205,474	950,431	950,431
<b>Net (decrease)/increase in cash and cash equivalents</b>		(73,349)	(28,088)	185,370	29,848
<b>Cash &amp; cash equivalents brought forward</b>		185,370	29,848	-	-
<b>Cash &amp; cash equivalents carried forward</b>		112,021	1,760	185,370	29,848

The notes on pages 12 to 25 form part of these consolidated financial statements

## Notes to the consolidated financial statements

### 1 Accounting policies

Alquity UK Limited (the “company”) is a company incorporated and domiciled in the UK

The company’s financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

The following Adopted IFRSs were available for early application but have not been applied by the company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- IFRS 9 - Financial Instruments (effective beginning on or after 1 January 2015)
- IFRS 10 – Consolidated Financial Statements (effective beginning on or after 1 January 2014)
- IFRS 12 - Disclosure of interests in Other Entities (effective beginning on or after 1 January 2014)

#### *Measurement convention*

The financial statements are prepared on the historical cost basis

#### *Basis of preparation - going concern*

The directors of the group assess the basis of preparation of the financial statements each year, and whether it is appropriate to prepare them on a going concern basis. In doing so, they assess the financial plan and cash flow projections for the group. The following represent key aspects of the financial plan

- The business is currently loss making. It is the directors’ expectation that this will continue for a period of time, certainly likely to be through the next accounting year until significant funds are subscribed by investors in the Alquity Funds
- The shareholders have confirmed that it is their intention to support the business long term. Directors have prepared forecasts for next 12 months and the directors do not anticipate the loss will exceed \$1.5m. The shareholders have the ability and intention to support the business at this level. However, there can be no certainty in such matters

Based on the above, the directors believe that the group will have sufficient cash reserves and working capital to meet its on-going requirements for at least 12 months from the date of approval of the financial statements

## Notes to the consolidated financial statements

### 1 Accounting policies (Continued)

However, as with any loss making company, the directors of the company have recognised that the above factors represent material uncertainties, which may cast doubt on the ability of the company to continue as a going concern. Nevertheless, having considered the matters described above, the directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due for the foreseeable future and consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

#### *Foreign currency*

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are revalued to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on revaluation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Prepayment, deposits and other receivables*

Prepayment, deposits and other receivables are recognised at cost.

#### *Accrued charges and other payables*

Accrued charges and other payables are recognised at cost.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents for the presentation of the Statement of Cash Flows.

#### *Goodwill*

Goodwill is reviewed for impairment annually and any charge arising in this respect is expensed in the statement of comprehensive income.

#### *Tangible/intangible fixed assets*

Tangible/intangible fixed assets are stated at cost less depreciation/amortisation. Depreciation/amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer and office equipment	50% straight line
Leasehold improvements	20% straight line
Intangible website & software development	50% straight line

## **Notes to the consolidated financial statements**

### ***Revenue***

Revenue from Aquity Group Ltd, the previous parent company, comprised recharges of costs incurred in providing sales and marketing services. Following the sale of the Company to Alquity (UK) Ltd, revenue from Alquity Group Ltd comprises fees for sales, marketing and operational support services based on net fees it receives from Investment Funds it manages. Revenue from Alquity Sicav comprises fees for distribution and investment management services. Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business excluding VAT.

### ***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### ***Basis of consolidation***

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.



## Notes to the consolidated financial statements

### 2 Revenue

<b>Geographical breakdown</b>	<i>Year ended 30 June 2014 £</i>	<i>Period ended 30 June 2013 £</i>
Cayman Islands	594,021	75,091
Luxembourg	<u>1,547,695</u>	<u>262,555</u>
	<u>2,141,716</u>	<u>337,646</u>
 <b>Business breakdown</b>	 <i>Year ended 30 June 2014 £</i>	 <i>Period ended 30 June 2013 £</i>
Marketing Services to Alquity Group Limited	594,021	75,091
Marketing and investment management services to the Alquity Sicav	<u>1,547,695</u>	<u>262,555</u>
	<u>2,141,716</u>	<u>337,646</u>

### 2a Other income

	<i>Year ended 30 June 2014 £</i>	<i>Period ended 30 June 2013 £</i>
Miscellaneous	<u>16,533</u>	<u>366</u>
	<u>16,533</u>	<u>366</u>

### 3 Loss before taxation

	<i>Year ended 30 June 2014 £</i>	<i>Period ended 30 June 2013 £</i>
The loss before tax is arrived at after charging the following		
Rental expenses	168,919	28,103
Donation on Alquity Fund income	165,923	31,240
Exchange loss	32,587	709
Auditors' remuneration		
- audit of these financial statements	10,000	10,000
- in respect of taxation services	<u>11,375</u>	<u>8,585</u>

## Notes to the consolidated financial statements

### 4 Staff costs and directors remuneration

The Group has five directors and sixteen staff (average of sixteen for the period from April 2013) as at 30 June 2013. The aggregate payroll costs of these persons were as follows:

	<i>Year ended 30 June 2014 £</i>	<i>Period ended 30 June 2013 £</i>
Directors' emoluments		
- Wages and salaries	136,500	29,500
- Social security costs	15,607	3,185
- Pension and benefit costs	18,000	-
	<u>170,107</u>	<u>32,685</u>
Staff wages and salaries	943,236	247,274
Staff social security costs	99,069	28,605
Pension & benefit costs	7,509	-
	<u>1,049,814</u>	<u>275,879</u>
	<u>1,219,921</u>	<u>308,564</u>

### 5 Taxation

(a) *Taxation in the consolidated income statement represents:*

	<i>2014 £</i>	<i>2013 £</i>
<b>Current tax expense</b>		
Taxation	<u>-</u>	<u>-</u>

(b) *Reconciliation between tax and accounting loss at applicable tax rates:*

	<i>2014 £</i>	<i>2013 £</i>
<b>Loss before taxation</b>	<u>(109,844)</u>	<u>(438,763)</u>
Notional tax on loss before tax, calculated at the rates applicable to profits in the countries concerned	(21,969)	(87,753)
Tax effect of non-deductible expenses	1,465	40,793
Effect of timing differences	245	2,006
Unused tax losses not recognised	<u>20,259</u>	<u>44,954</u>
<b>Actual tax charge</b>	<u>-</u>	<u>-</u>

## Notes to the consolidated financial statements

### 6 Investments

	<i>Investments</i> £
Balance at 1 July 2013	8,305,010
Additions	<u>305,474</u>
Balance at 30 June 2014	<u>8,610,484</u>

Subsidiary undertaking	Country of registration	% Ordinary shares held	Principal activity
Alquity Investment Management Limited	United Kingdom	100%	Marketing services
Alquity Asia Limited	Hong Kong	100%*	Marketing services

\* Alquity Asia is a 100% owned subsidiary of Alquity Investment Management Limited

Additions in the year relate to the acquisition of a further 30,547,400 shares at £0.01 per share in its subsidiary company, Alquity Investment Management Ltd for £305,474

See note 7 for details regarding the acquisition of the subsidiary in the year ended 30<sup>th</sup> June 2013

### 7 Acquisition of subsidiary

On the 5 April 2013, a 100% interest in Alquity Investment Management Limited was acquired by Alquity UK Limited for consideration of £7,500,000. Consideration was in the form of preference share capital and loan notes in equal proportions. The acquisition occurred to facilitate investment in the operations of the new combined group.

The loss after taxation of Alquity Investment Management Limited for its previous financial year and up to the date of acquisition was as follows

	£
1 <sup>st</sup> July 2012 to the date of acquisition	335,805
Financial year ended 30 June 2012	530,084

## Notes to the consolidated financial statements

The table below explains the adjustments made to the book values of the major categories of assets and liabilities acquired in arriving at fair values

	<i>Book Value £</i>	<i>Fair value to Group £</i>	<i>Fair value at date of acquisition £</i>
Property, plant & equipment	26,784	26,784	26,784
Investments	2,301	2,301	2,301
Debtors	684,017	684,017	684,017
Cash at bank	89,843	89,843	89,843
Creditors	(208,041)	(208,041)	(208,041)
Loans	(199,467)	(199,467)	(199,467)
<b>Total assets</b>	<u>395,437</u>	<u>395,437</u>	<u>395,437</u>
Consideration			7,500,000
Less fair value of assets acquired			(395,437)
Goodwill on acquisition			<u>7,104,563</u>

### 8 Property, plant and equipment

	<i>Leasehold improvements £</i>	<i>Office equipment £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
<b>Cost:</b>				
On acquisition 4 April 2013	51,100	47,372	21,945	120,417
Additions	-	5,755	-	5,755
As at 1 July 2013	51,100	53,127	21,945	126,172
Additions	9,944	5,042	-	14,986
As at 30 June 2014	<u>61,044</u>	<u>58,169</u>	<u>21,945</u>	<u>141,158</u>
<b>Accumulated depreciation:</b>				
On acquisition	27,629	44,060	21,945	93,634
Charge for the period	2,347	1,973	-	4,320
As at 1 July 2013	29,976	46,033	21,945	97,954
Charge for the period	10,382	5,827	-	16,209
As at 30 June 2014	<u>40,358</u>	<u>51,860</u>	<u>21,945</u>	<u>114,163</u>
<b>Net Book Value</b>				
At 30 June 2014	<u>20,686</u>	<u>6,309</u>	<u>-</u>	<u>26,995</u>
At 30 June 2013	<u>21,124</u>	<u>7,094</u>	<u>-</u>	<u>28,218</u>

## Notes to the consolidated financial statements

### 9 Intangible fixed assets

#### Group

	<i>Goodwill</i> £	<i>Total</i> £
<b>Cost</b>		
At 1 July 2013	7,104,563	-
Additions	-	7,104,563
<b>At 30 June 2013 and 2014</b>	<u>7,104,563</u>	<u>7,104,563</u>
<b>Amortisation</b>		
Charge for the period	-	-
<b>At 30 June 2013 and 2014</b>	<u>-</u>	<u>-</u>
<b>Net book value</b>		
<b>At 30 June 2013 and 2014</b>	<u>7,104,563</u>	<u>7,104,563</u>

Goodwill represents the excess consideration over the fair value of the investment in subsidiaries after consolidation journals

In the opinion of the directors, there has been no indication of impairment in the year

### 10 Management and performance fee receivables

All management and performance fee receivables are expected to be recovered within one year

### 11 Prepayments, deposits and other receivables

	<i>Group</i> <i>Year ended</i> <i>30 June</i> <i>2014</i> £	<i>Company</i> <i>Year ended</i> <i>30 June</i> <i>2014</i> £	<i>Group</i> <i>Period ended</i> <i>30 June</i> <i>2013</i> £	<i>Company</i> <i>Period ended</i> <i>30 June</i> <i>2013</i> £
Deposits	128,190		600	
Debtors	42,523		134,049	
VAT receivable	30,253		36,282	
Loans receivable	525,817		539,015	
Prepayments and others receivables	<u>437,876</u>	<u>7,452</u>	<u>127,238</u>	<u>160</u>
	<u>1,164,659</u>	<u>7,452</u>	<u>837,184</u>	<u>160</u>

Included within Group prepayments, deposits and other receivables is £654,007 (2013 £526,417), which is expected to be recovered in more than 12 months

## Notes to the consolidated financial statements

### 12 Cash and cash equivalents

The amount disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts

	<i>Group Year ended 30 June 2014 £</i>	<i>Company Year ended 30 June 2014 £</i>	<i>Group Period ended 30 June 2013 £</i>	<i>Company Period ended 30 June 2013 £</i>
Cash and cash equivalents per balance sheet and cash flow statement	112,021	1,760	185,370	29,848

### 13 Accrued charges and other payables

	<i>Group Year ended 30 June 2014 £</i>	<i>Company Year ended 30 June 2014 £</i>	<i>Group Period ended 30 June 2013 £</i>	<i>Company Period ended 30 June 2013 £</i>
Trade Creditors	123,964	-	130,517	-
Deferred Income	40,644	-	3,012	-
Accruals & other creditors	586,065	8,348	107,976	8,363
PAYE	<u>34,523</u>	<u>-</u>	<u>30,751</u>	<u>-</u>
	<u>785,196</u>	<u>8,348</u>	<u>272,256</u>	<u>8,363</u>

### 14 Loans

	<i>Group Year ended 30 June 2014 £</i>	<i>Company Year ended 30 June 2014 £</i>	<i>Group Period ended 30 June 2013 £</i>	<i>Company Period ended 30 June 2013 £</i>
Loans payable after more than one year	<u>3,944,950</u>	<u>3,944,950</u>	<u>3,726,111</u>	<u>3,726,111</u>

## Notes to the consolidated financial statements

i) An unsecured loan note for £3,750,000 was issued on 5<sup>th</sup> April 2013 to Alquity Group Limited as part of the consideration for the acquisition of Alquity Investment Management Limited. The loan is subordinated and interest free. Repayment is in tranches not to exceed £100,000 in any twelve month period. Repayments will be determined by the Board.

The loan is repayable in full either upon the sale of the entire share capital of the Company for full value on an arms-length basis, or a flotation of the Company on a recognised stock exchange.

ii) An unsecured loan facility for \$1,500,000 was agreed with Paul Robinson on 28<sup>th</sup> November 2013. The loan facility may be drawn down as required and in a currency of USD, GBP or EUR as per the lender's preference. Repayment is to be made in USD. The facility does not have a fixed term but the borrower will make reasonable efforts to repay the lender in full upon sufficient funds becoming available for repayment by the Borrower. All amounts drawn down under the facility together with interest accrued thereon shall be repaid immediately in full in the event of the sale of the Borrower. Repayment will be made to the extent that the business will continue to hold more than 7 months regulatory capital after the repayment has been made. The loan will attract interest at a rate of 7.5% per annum. Interest will be rolled up with principal.

An amount of \$500,000 was drawn down under the provisions of the Facility Agreement on 28<sup>th</sup> November 2013.

## 15 Capital and reserves

Reconciliation of movement in capital and reserves

Group	Share Capital £	Share Premium £	Exchange Reserve £	Retained Losses £	Total £
Shares issued in the year	215	4,814,945	-	-	4,815,160
Exchange variance	-	-	10	-	10
Costs of raising equity finance	-	(90,840)	-	-	(90,840)
Loss for the year	-	-	-	(438,763)	(438,763)
Balance at 30 June 2013	215	4,724,105	10	(438,763)	4,285,567
At 1 July 2013	215	4,724,105	10	(438,763)	4,285,567
Exchange variance	-	-	(3,342)	-	(3,342)
Loss for the year	-	-	-	(109,844)	(109,844)
Balance at 30 June 2014	215	4,724,105	(3,332)	(548,607)	4,172,381

## Notes to the consolidated financial statements

Company	Share Capital £	Share Premium £	Retained Losses £	Total £
Shares issued in the year	215	4,814,945	-	4,815,160
Costs of raising equity finance	-	(90,840)	-	(90,840)
Loss for the year	-	-	(123,776)	(123,776)
Balance at 30 June 2013	215	4,724,105	(123,776)	4,600,544
At 1 July 2013	215	4,724,105	(123,776)	4,600,544
Profit for the year	-	-	65,853	65,853
Balance at 30 June 2014	215	4,724,105	(57,923)	4,666,397

### (a) Share capital

	Year ended 30 June 2014 £	Period ended 30 June 2013 £
<i>Issued and fully paid</i>		
16,000,000 ordinary shares of £0 00001 each	160	160
1,733,175 preferred ordinary shares of £0 00001 each	17	17
3,750,000 preference shares of £0 00001 each	38	38
	215	215

The holders of ordinary shares and preferred ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets. Preference shares are zero coupon shares.



## Notes to the consolidated financial statements

### (b) Capital management

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the company is part of a larger group, the company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The company defines "capital" as including all components of equity. Accordingly, the capital balance for the group as at 30 June 2014 is £4,172,381 (2013: £4,285,567).

The company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the company belongs.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the company.

In addition, as AIML is a licensed corporation registered under the Financial Conduct Authority ("the FCA") in the UK, AIML is also subject to a minimum capital requirement of €50,000. The company monitors its compliance with the requirement on a daily basis.

The company complied with the requirement at all times during the period.

During the current financial year, the company's strategy, which was unchanged from last year, was to maintain a higher capital level than regulatory requirement of the FCA. The company reviews its capital adequacy and structure regularly to ensure regulatory capital requirements are met, adequate funds are available to support business operation and growth, and excess capital is distributed to its holding company.

## 16 Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency risk arises in the normal course of the business. These risks are limited by the Group's financial management policies and practices described below.

### (a) Credit risk

The Group provides sales, marketing and operational services to the Alquity Africa Fund and also funds managed by what was the immediate holding company, a company under common control. Receivables are mainly from these companies. Hence, the exposure to credit risk is not considered to be significant as the companies (including the former immediate holding company) are all owned ultimately by the same shareholder. No amounts receivable are past due or impaired.

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## Notes to the consolidated financial statements

The maturity profile of the company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payment, was as follows

<i>Year ended 30 June 2014</i>				
	<i>Carrying amount</i>	<i>On demand</i>	<i>Less than 1 year</i>	<i>More than 1 year</i>
	£	£	£	£
Accrued charges and other payables	893,149	-	785,196	107,953
Loans	<u>3,944,950</u>	<u>-</u>	<u>100,000</u>	<u>3,844,950</u>
	<u>4,838,099</u>	<u>-</u>	<u>885,196</u>	<u>3,952,903</u>
<i>Period ended 30 June 2013</i>				
	<i>Carrying amount</i>	<i>On demand</i>	<i>Less than 1 year</i>	<i>More than 1 year</i>
	£	£	£	£
Accrued charges and other payables	272,256	-	272,256	-
Loans	<u>3,726,111</u>	<u>-</u>	<u>100,000</u>	<u>3,626,111</u>
	<u>3,998,367</u>	<u>-</u>	<u>372,256</u>	<u>3,626,111</u>

### (c) *Interest rate risk*

The Group's cash and cash equivalents are primarily invested at short-term market interest rates. Consequently, changes in interest rates would have insignificant impact on the company's losses and retained losses.

### (d) *Foreign currency risk*

As the Group's cash at bank, other receivables and payables are denominated in British Pounds Sterling, changes in foreign currency rates should have minimal impact on the company's losses and retained losses.

## 17 Related Parties

The Group considers transactions with its senior management as related party transactions. Senior management are considered to be directors of Alquity UK Limited who manage the main operating activities of the Group. Except for the emoluments disclosed in note 4 and the loan from Paul Robinson disclosed below, there are no transactions, arrangements and agreements made for persons who were directors of Alquity UK Limited during the year.

## Notes to the consolidated financial statements

The company has entered into the following transactions with related parties during the year

- a) The Group received fee income of £594,021 (2013 £75,091) from Alquity Group Limited, as a company under common control. There is a £ 2,380 (2013 £79,392) outstanding balance as at 30 June 2014. The company also has a loan balance due from Alquity Group Limited at 30 June 2014 of £525,817 (2013 £539,015). No interest is charged on this loan.
- b) Included in non-current liabilities is a loan of £3,626,111 (2013 £3,726,111) from Alquity Group Limited, a company under common control. See note 14 for further details.
- c) Included in non-current liabilities is a loan of £318,839 from Paul Robinson, the ultimate controlling party. Interest, which is charged on this loan at 7.5% per annum, is rolled up into the principal.
- d) The Group received fee income of £1,547,695 (2013 £262,555) from the Alquity Sicav and there is a balance outstanding at 30 June 2014 of £650,576 (2013 £126,298).

### 18 Control

The immediate and ultimate controlling party is considered to be Paul Robinson