Company Registration 07992381 (England and Wales)

Alquity UK Limited

Annual report and financial statements for the year ended 30 June 2017

Alquity UK Limited

Company information

Directors	Paul Robinson Sureshbhai Mistry Neil Sandy
Company Secretary	Paul Robinson
Company number	07992381
Registered office	3 Waterhouse Square 138 - 142 Holborn London EC1N 2SW
Independent auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

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Alquity UK Limited

Strategic report
For the year ended 30 June 2017

The directors present their strategic report and financial statements for the year ended 30 June 2017.

Review of the business
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 via a high conviction, non-benchmarked investment process incorporating both financial analysis and importantly material non-financial analysis;
- 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 and in particular the quality, transparency and alignment of company management to our goal of monetising opportunities for investors;
- Transforming Lives – we recognise that driving good corporate behaviour is not enough to create truly inclusive economic growth. We therefore donate a minimum of 10% of our management fees to support micro-finance and employment readiness programs 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.

Our focus remains centred around this Virtuous Circle and the progress we have made demonstrates that Responsible Capitalism is a viable concept. In 2014 our fund range expanded from our one Africa fund to a range of 5 funds. The AUM of $188m in the UCITs fund is now broadly spread across the funds with Asia being the largest with just over $60m AUM. In addition we have a significant mandate from CalPERs, which takes our overall AUM to in excess of $300m.

New Funds contribute significantly to revenue growth
Overall Assets Under Management (AUM) for the Alquity SICAV at 30 June 2017 was $188,719,377, representing an increase of 78.2% over the 12-month period.

Following a number of years of significant market uncertainty and a cyclical low in emerging market performance, the last year has seen EM come slowly back into vogue. This, along with good performance and longer track records for the funds, has allowed us to achieve significant growth in the last 12 months.

The 4 funds which launched in April 2014 have continued to contribute positively, adding $85.9m in new AUM over the 12 month period. Africa fund has been challenging in both performance and redemptions terms, with a negative impact on overall AUM.

The new funds growth profile is encouraging:
- Asia fund has grown AUM by 88%
- Latin America fund has grown AUM by 104%
- India Subcontinent fund has grown AUM by 219%
- Future World fund has grown AUM by 278%

Performance was positive with the Indian Subcontinent fund being particularly pleasing, beating the benchmark by c.40% over the last 3 years.

Now the funds are reaching more reasonable critical mass and have a 3 year plus track record there is much potential for future growth in AUM. We have a strong pipeline of new AUM opportunities that we feel confident will continue to crystallise over the coming months and years.

One of the key developments over the last year has been our engagement with a limited number of more institutional clients. This resulted in us winning a mandate from CalPERs in December 2016, which was initially funded for $81m, and has since grown to c.$100m. CalPERs are the largest pension fund in the US, managing over $330bn on behalf of State employees and retirees. This mandate is important for the revenue it brings, but more importantly for the reputational impact and proof of acceptance of our approach. CalPERs are viewed as one of the world's most significant investors, especially within those investors with a focus on long-term sustainability.

Alquity Africa sub-fund

Africa offers a good investment opportunity for long-term investors who will be able to avoid the biggest risks and pitfalls. The region is expected to have the largest working-age population in the world by 2034 and will soon have the fastest urbanization rate in the world with 190m people set to move from rural areas to cities in the next decade. However, the speed of development and the pace at which those evolutions occur will be very unequal from country to country.

The rebalancing of the Chinese economy, the lack of diversification, the decline in oil and commodity prices, political instability and the weakness of institutions of some African countries, combined with the sluggish growth in Arab spring countries impacted negatively the performance of African equity markets in the 6 years to 30 June 2017. The 12 months to 30 June 2017 was a positive one for the broad African markets with the MSCI South Africa and MSCI EFM Africa ex South Africa delivering a total return of 11.6% and 15.7% respectively. Three out of top four largest countries experienced positive equity market performance in USD terms over the period: 11.6% in South Africa, 16.9% in Nigeria, -4.5% in Egypt and 19.5% in Kenya. The macroeconomic challenges investors face in Africa are of a different nature: capital controls, currency devaluation, parallel FX markets and persistently high inflation. Valuations more than reflect these challenges and fail to reflect the long-term potential of the continent. For example, Egypt devalued its currency by 50% in November 2016 and is implementing a structural reform agenda supported by an IMF package, which will help rebalance the economy and prepare it for a cycle of economic growth. The market isn't pricing in the ability of governments to take action and pass structural reforms.

As a consequence, the fund has low exposure to materials and very low exposure to financials, while focusing on companies with a higher visibility of earnings growth outlook and strong execution capabilities. It is in South Africa that we find most of those companies. On a country basis the fund favours countries with both strong and reliable institutions and/or responsible governments who have laid down a clear agenda of structural reforms to underpin long-term sustainable growth. Countries like Egypt, Morocco, Botswana, Senegal or Tunisia fall in this category.

During the last twelve months, the Net Asset Value (NAV) for the US$ I Class has increased by 3.34% from US$72.76m as at 30 June 2016 to US$75.19m at 30 June 2017. The Assets under Management (AUM) has suffered over the last 12 months facing a drop of 8.01% from US$38.7m at 30 June 2016 to US$35.6m at 30 June 2017. However, this has been owed mostly to the impact of investor net redemptions.

In terms of the fund, as at 30 June 2017, the portfolio contained thirty holdings. Over the period, eleven new stocks were added and nine stocks were sold, as the portfolio was focused toward companies that would benefit from domestic demand, hence we increased our exposure to Tunisia and Namibia. Following these changes, at 30 June 2017, the fund had exposure to eight countries and twelve sectors.

Alquity Indian Subcontinent sub-fund

India continues to be one of the strongest transformation stories across all of the emerging markets. The BJP government, led by Prime Minister Narendra Modi, is now over halfway through its four-year term. The BJP-led coalition is the first government to hold a majority in India's lower house of parliament since 1984, which has enabled the Prime Minister to deliver economic reforms at a pace never seen before in India. As well as measures to encourage greater foreign investment, promote financial inclusion and subsidy reforms, the government's trophy piece of legislation has been the Goods and Services Tax (GST). The GST unites India as a single common tax market for the first time, removing a series of inter-state taxes and relieving companies of cascading tax burdens. The efficiency savings of the GST alone are thought to be worth up to an additional two percentage points of GDP growth per year.

The macroeconomic outlook remains favourable, with a cyclical recovery in GDP growth widely expected, alongside an interest rate cutting cycle and low current account deficit. We maintain a positive outlook for the long-term growth prospects for the Indian economy.

Sri Lanka's new government are now two years in to their term. The country faces a number of structural issues and is in need of reforms to fiscal spending and monetary policy. With the help of the IMF, in both monetary and administrative terms, the outlook for Sri Lanka is now more positive than at the beginning of the year.

Bangladesh continues to enjoy a period of political stability and economic growth, with the domestic law and order situation remaining largely subdued. The economy continues to grow at around 7% per year, with construction and consumption among the fastest expanding areas.

The investment case for Pakistan has deteriorated significantly over the last year, with current account and fiscal deficits causing a depletion of foreign reserves to just three months of import coverage, whilst the government's refusal to devalue the currency is exacerbating the situation. The market is currently going through a significant correction period though and, after elections next year, if the economic management of the country can be rationalised, we envisage a situation where the risk/reward becomes compelling enough for us to re-enter the market.

The NAV of the Indian Subcontinent US$ M Class increased 29.6% over the period from US$121.21m at 30 June 2016 to US$157.1m at 30 June 2017. The AUM has also grown 218.9% from US$9.3m to US$29.6m in the twelve months to 30 June 2017.

In terms of the fund, as at 30 June 2017, the portfolio contained thirty-two holdings. Over the period, eight new stocks were added and seven stocks were sold.

Alquity Asia sub-fund

The Chinese economy has continued to perform strongly during 2017. This follows the turbulence of 2015 and 2016, whereby market concerns over a growth slowdown, capital outflows and currency pressure culminated in a market panic back in January 2016. Since then, the government has restored growth through fiscal stimulus and restored confidence in the currency by keeping interest rates stable and tightening capital controls. Incremental progress on economic reforms remains positive though modest, with recent efforts to reign in the shadow banking sector and cut excess capacity in steel and coal mining showing signs of promise. We expect the overarching policy themes to be maintained at the upcoming National Congress meeting, which will set China's economic objectives for the next few years.

Frontier Markets have continued to provide some of the best growth opportunities in Asia. Vietnam's GDP growth rate remains around 6%, whilst Foreign Direct Investment inflows have reached a record high. Myanmar's economic transformation has continued, following a landmark election in November 2015 leading to the creation of the country's first democratically elected civilian government since independence. We believe that Myanmar will prove to be one of the world's most attractive investment destinations over the next decade. Whilst there have inevitably been a number of teething issues under the new government, Myanmar clearly has the potential to post annual GDP growth rates of 7% or higher for several years.

The NAV of the Asia US$ M Class increased 11.3% over the period from US$99.28m at 30 June 2016 to US$110.45m at 30 June 2017. The AUM has also grown 87.9% from US$33.7m to US$63.3m in the twelve months to 30 June 2017.

In terms of the fund, as at 30 June 2017, the portfolio contained forty-seven holdings. Over the period, twelve new stocks were added, and eighteen stocks were sold. Following these changes, at 30 June 2017, the fund had exposure to twelve countries and thirteen sectors, including the addition of Thailand.

Alquity Latin America sub-fund

The year ending 30 June 2017 for the Latin America equity asset class has been strong period. Markets have been strong in line with declining political risk in Brazil and an improving growth outlook in Argentina, Chile and Peru. The markets were strong throughout the period with some volatility in May of 2017, which was short-lived. The most important political change was the impeachment of Brazil's president, Dilma Rousseff, who was replaced by the Vice President, Michel Temer, who has implemented a pro market and fiscally responsible agenda. The recovery gained momentum under the leadership of the Minister of Finance, Henrique Meirelles and Central Bank president, Ilan Goldfajn. Brazil's recovery has improved the perception of the region's outlook, which resulted in a rising flow of FDI into the region.

During this period, the fund increased exposure to Brazil, making it our largest country allocation followed by Chile, Mexico, Peru, Argentina and Colombia. A mix of structural and cyclical tailwinds underpins our investment analysis providing us conviction regarding our country allocation. Undemanding valuations, high quality companies and the bottoming of the economic and political cycles in Chile make it a stable weight in the portfolio since inception. Exposure to Brazil was increased throughout the year after our research and growing conviction on its growth outlook. This was funded by decreasing exposure to Mexico, which is approaching the top of its economic cycle and valuations reaching demanding levels.

A review of the region's equity markets represented by their respective MSCI country index over the last year shows that Argentine and Chilean equities performed best at 26.5% and 15.3% respectively. All other markets delivered positive equity market performance: Mexico (9.6%), Colombia (9.0%), Peru (11.9) and Brazilian equities (14.9%) returned negative performance. In all countries, the fund's holdings outperformed the national index.

The NAV of the Latin America US$ M Class increased 4.42% over the period from US$91.08m at 30 June 2016 to US$95.11m at 30 June 2017. AUM has grown 104% from US$18.1m to US$36.9m in the twelve months to 30 June 2017.

In terms of the fund, as at 30 June 2017, the portfolio contained thirty-one holdings. Over the period, eight new stocks were added, and seven stocks were sold. Following these changes, at 30 June 2017, the fund had exposure to seven countries and fourteen sectors.

Alquity Future World sub-fund
The year ending 30 June 2017 for the Future World fund ended with the largest exposure to the Asian region, followed by Latin America and Africa regions respectively.

Frontier Markets continue to offer some of the world's fastest GDP growth rates, translating in many cases to excellent growth prospects for local companies. Due to their reliance on domestically driven growth factors, led by urbanisation and demographic trends, many Frontier Markets continue to enjoy a degree of isolation from the vagaries of global financial markets and volatility of international trade.

Over the twelve-month period to the end of June 2017, both Emerging and Frontier markets performed positively with the MSCI emerging and frontier markets index rising by 23.2%. The strongest markets were: China, Taiwan, Korea and Argentina, while only Egypt delivered a negative equity market return. All of Latin America, in addition to Vietnam and Malaysia were among the largest under-performers. The strongest driver of equity market performance in Asia was the technology sector with internet oriented business rising to multiyear high valuation levels not only driven by earnings, but also by a level of market exuberance.

The NAV of the Future World US$ M Class rose by 5% over the period from US$86.88m at 30 June 2016 to US$91.22m at 30 June 2017. Increased marketing support has helped the fund's AUM grow by 278% from US$6.2m to US$23.4m in the twelve months to 30 June 2017.

In terms of the fund, as at 30 June 2017, the portfolio contained forty-two holdings. Over the period, twenty-five new stocks were added, and thirteen stocks were sold after a rebalance of the portfolio to capture the growth potential in Asia and reducing exposure to Africa and Latin America. Following these changes, at 30 June 2017, the fund had exposure to fourteen countries and thirteen sectors, exiting Myanmar, Argentina, Kenya and Mexico.

Business structure and investment process
In January we welcomed Chris Wehbe into the role of CEO at Alquity Investment Management Limited, with myself transitioning to the role of Executive Chairman. Chris has been involved with the Alquity business for over 5 years, most recently as Chair of our Investment Committee. Chris brings a significant pedigree of institutional investment management, and we are already seeing the benefits of this via an enhanced articulation of our investment process. This is fundamentally important if we are to both win and service more significant clients such as CalPERs.

Whilst CalPERs has been a highlight of the last year, we have been successful in winning new business from a broader range of investors, both geographically and within new market segments. This has included a bespoke solution for one of our Asia clients, and we see further opportunities in providing high quality bespoke solution built around our investment model.

Overall this lays an excellent foundation for future growth as existing investors seek to increase the weighting of their holdings to Emerging Markets, alongside us converting business from our broadly based pipeline of engaged opportunities.

Transforming Lives remains at the core of our business model

The Investment Manager, Alquity Investment Management Ltd, receives a management fee and annual performance fees from the SICAV. A proportion of these fees are donated to recognised charity partners through the Transforming Lives programme to support microfinance, education and training initiatives in the geographic regions represented by stocks in the fund.

In the twelve months to 30 June 2017, the grants distributed impacted the lives of 26,603 people, direct and indirectly. We are currently working with four charity partners in Africa, Latin America and Asia, and since inception we have transformed over 41,923 lives in these regions.

Donations since inception have passed more than $1m with $0.2m being donated in the current financial year.

The virtuous circle of delivering attractive returns for investors, through responsible investments and transforming lives in the areas we invest is the cornerstone of the Alquity SICAV and will support its continued growth in the future.

Going concern

The current growth of the business has been encouraging and we have recorded our first annual profit during the current year. The group'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 group's control. The directors recognise that the economic outlook can present challenges in terms of new subscriptions to the funds and growth in the value of assets under management. The directors are continually instituting measures to preserve cash and ensure expenditure is made within the framework of sound financial management.

Whilst having the business in a profitable situation is a good step, it is also now our intention to build the business up to a position of true sustainability where we have sufficient financial resources to weather an economic cycle without needing to rely on any external support. Despite these intentions it is also reassuring that the shareholders have confirmed their full support and intention to continue to fund the business if necessary through this growth stage.

Further information regarding the financial position of the group, its cash flows and liquidity position are described in the notes to the financial statements on pages 18 to 34.

Principal risks and uncertainties

Exposure to credit, liquidity, interest rate and foreign currency risk arises in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described on page 7.

Credit risk
The group provides sales, marketing and operational services to the Alquity Fund and also funds managed by what was the immediate holding company, a company under common control. In addition there is a fee paid by CalPERs related to the investment management services for our mandate with them. Receivables are mainly from these sources. 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.

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.

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 group's losses and retained losses.

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 group's losses and retained losses.

Final thoughts
2016/17 has been a year of great progress, with sustained growth in our assets under management and positive market performance. We are pleased with the progress made and believe our focus on our core investment process, excellent investor communication and a strategy orientated around building future pipeline has set Alquity up well to capitalise on improved level of new subscriptions as investor confidence continues to return.

The Alquity team remain engaged and committed and have delivered significant improvement to our Investment and Operational processes during the year.

Whilst we are delighted to have successfully executed our plans to reach profitability during the last financial year, our key priority remains to build this to a level of true sustainability through any cycle, which we feel we are very well placed to achieve.

On behalf of the board

Paul Robinson
Director
25 January 2018

The directors present their annual report and financial statements for the year ended 30 June 2017.

Principal activities

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).

Results and dividends

The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Paul Robinson	
Sureshbhai Mistry	
Neil Sandy	
Gordon Brown	(resigned 28 February 2017)

Auditors

Saffery Champness LLP have expressed their willingness to continue in office and a resolution proposing that they be re-appointed will be put at the next general meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Statement of disclosure to auditors
Each director in office at the date of approval of this annual report confirms that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Paul Robinson
Director
25 January 2018

Opinion

We have audited the financial statements of Alquity UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 set out on pages 13 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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 set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Auditor's 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 auditor's 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 auditor's report.

Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

25 January 2018

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Alquity UK Limited

Consolidated statement of comprehensive income
For the year ended 30 June 2017

	Notes	2017 £	2016 £
Revenue	3	2,701,853	1,415,302
Cost of sales		(524,766)	(382,578)
Gross profit		2,177,087	1,032,724
Administrative expenses		(2,018,018)	(1,895,816)
Operating profit/(loss)		159,069	(863,092)
Finance costs		(87,587)	(57,555)
Profit/(loss) before tax	4	71,482	(920,647)
Income tax expense	7	-	-
Profit/(loss) and total comprehensive income for the year		71,482	(920,647)

There are no recognised gains or losses other than those included in the consolidated statement of comprehensive income.

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Consolidated statement of financial position
As at 30 June 2017

	Notes	2017 £	2016 £
Non-current assets			
Intangible assets	9	7,106,481	7,108,871
Property, plant and equipment	10	1,208	4,959
		7,107,689	7,113,830
Current assets			
Trade and other receivables	11	1,017,849	1,600,045
Cash and cash equivalents		211,602	35,247
		1,229,451	1,635,292
Total assets		8,337,140	8,749,122
Current liabilities			
Trade and other payables	12	413,423	1,063,791
Net current assets		816,028	571,501
Non-current liabilities			
Borrowings	13	4,621,145	4,459,365
Total liabilities		5,034,568	5,523,156
Net assets		3,302,572	3,225,966
Equity			
Called up share capital	14	188	183
Share premium account		5,303,045	5,302,477
Translation reserve		2,103	(2,448)
Retained earnings		(2,002,764)	(2,074,246)
Total equity		3,302,572	3,225,966

These financial statements were approved by the board of directors and authorised for issue on 25 January 2018 and are signed on its behalf by:

Paul Robinson
Director

Alquity UK Limited

Company statement of financial position
As at 30 June 2017

	Notes	2017 £	2016 £
Non-current assets			
Investments	8	9,985,863	9,785,863
Current assets			
Trade and other receivables	11	160	160
Cash and cash equivalents		2,983	2,983
		3,143	3,143
Total assets		9,989,006	9,789,006
Current liabilities			
Trade and other payables	12	239,513	117,836
Net current assets/(liabilities)		(236,370)	(114,693)
Non-current liabilities			
Borrowings	13	4,621,145	4,459,365
Total liabilities		4,860,658	4,577,201
Net assets		5,128,348	5,211,805
Equity			
Called up share capital	14	188	183
Share premium account		5,303,045	5,302,477
Retained earnings		(174,885)	(90,855)
Total equity		5,128,348	5,211,805

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £84,030 (2016: £72,491).

These financial statements were approved by the board of directors and authorised for issue on 25 January 2018 and are signed on its behalf by:

Paul Robinson
Director

Company Registration No. 07992381

Consolidated statement of changes in equity
As at 30 June 2017

Group	Notes	Share capital £	Share premium and other reserves £	Retained earnings £	Total £
Balance at 1 July 2015		215	4,721,305	(1,153,599)	3,567,921
Rebasing of share capital		(32)	-	-	(32)
Proceeds from share issue		-	578,372	-	578,732
Translation reserve		-	352	-	352
Total comprehensive loss for the year		-	-	(920,647)	(920,647)
Balance at 30 June 2016		183	5,300,029	(2,074,246)	3,225,966
Proceeds from share issue	**14**	5	568	-	573
Translation reserve		-	4,551	-	4,551
Total comprehensive profit for the year		-	-	71,482	71,482
Balance at 30 June 2017		188	5,305,148	(2,002,764)	3,302,572

Company	Notes	Share capital £	Share premium and other reserves £	Retained earnings £	Total £
Balance at 1 July 2015		215	4,724,105	(18,364)	4,705,956
Rebasing of share capital		(32)	-	-	(32)
Proceeds from share issue		-	578,372	-	578,372
Total comprehensive loss for the year		-	-	(72,491)	(72,491)
Balance at 30 June 2016		183	5,302,477	(90,855)	5,211,805
Proceeds from issue of share capital	**14**	5	568	-	573
Total comprehensive loss for the year		-	-	(84,030)	(84,030)
Balance at 30 June 2017		188	5,303,045	(174,885)	5,128,348

Alquity UK Limited

Consolidated statement of cash flows
For the year ended 30 June 2017

	Notes	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Cash generated from operations					
Profit/(loss) for the year after tax		71,482	(84,030)	(920,647)	(72,491)
Adjustments for:					
- Depreciation and amortisation	**9,10**	5,782	-	14,541	-
- Loss on disposal of assets		360	-	-	-
- Translation difference		4,551	-	352	-
Movements in working capital:					
(Increase)/decrease in trade and other receivables		582,196	-	(234,603)	-
Increase/(decrease) in trade and other payables		(582,338)	189,708	62,053	(101,267)
Cash absorbed by operations		82,033	105,678	(1,078,304)	(173,758)
Net cash outflow from operating activities		82,033	105,678	(1,078,304)	(173,758)
Investing activities					
Purchase of intangible assets		-	-	(4,735)	-
Subscription of new shares in subsidiary company		-	(200,000)	-	(751,039)
Net cash used in investing activities		-	(200,000)	(4,735)	(751,039)
Financing activities					
Rebasing of share capital		-	-	(32)	(32)
Proceeds from share issue		572	572	578,372	578,372
Loan repayments		(106,250)	(106,250)	(100,000)	(100,000)
Loan receipts		200,000	200,000	448,186	448,186
Net cash generated from financing activities		94,322	94,322	926,526	926,526
Net increase/(decrease) in cash and cash equivalents		176,355	-	(156,513)	1,729
Cash and cash equivalents at beginning of year		35,247	2,983	191,760	1,254
Cash and cash equivalents at end of the year		211,602	2,983	35,247	2,983

1. Accounting policies

Company information

Alquity UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3 Waterhouse Square, 138 – 142 Holborn, London, EC1N 2SW.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared under the historical cost convention. The functional currency for the group is considered to be Pounds Sterling. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2017 or later periods, but the group has decided not to early adopt them. The directors do not anticipate that the adoption of these standards and interpretations would have a material impact on the financial statements in the period of initial application, although there will be revised and additional disclosures. The group plans to apply these standards in the reporting period in which they become effective. The new standards and interpretations include:

- IFRS 9 - Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 - Leases (effective for annual periods beginning on or after 1 January 2019)
- IAS 7 - Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2017)
- IAS 12 – Income Taxes (effective for annual periods beginning on or after 1 January 2017)

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1. Accounting policies (continued)

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

The group receives investment management fees, based on a percentage of the assets under management, in the period in which the service is performed.

1.4 Intangible assets

Goodwill

Goodwill represents the excess consideration over the fair value of the investment in subsidiaries. Goodwill is annually reviewed for impairment by management.

Computer software

Acquired computer software is initially measured at cost and subsequently measured at cost or valuation, net of amortisation and any impairment losses. The software has a useful economic life of 2 years.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5 years
Fixtures and fittings	2 years
Computer equipment	2 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1. Accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.8 Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1. Accounting policies (continued)

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.11 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1. Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

A termination benefit liability is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1. Accounting policies (continued)

1.15 Foreign exchange

Transactions in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the consolidated statement of comprehensive income for the period.

1.16 Basis of consolidation

The consolidated financial statements incorporate the financial statements of subsidiary entities. A subsidiary is defined as an entity over which the company has control. Control is achieved when the company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affects its returns.

Consolidation of a subsidiary begins when the company obtains control and ceases when control is lost. The company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the group's accounting policies.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Revenue

Geographical breakdown	2017	2016
	£	£
Cayman Islands	281,902	287,767
Luxembourg	2,101,830	1,122,637
United Kingdom	44,287	4,898
United States of America	273,834	-
	2,701,853	1,415,302

Business breakdown	2017	2016
	£	£
Investment management services	2,657,566	1,410,404
Miscellaneous	44,287	4,898
	2,701,853	1,415,302

4. Operating profit/(loss)

	2017	2016
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Net foreign exchange (gains)/losses	18,455	(2,918)
Depreciation of property, plant and equipment	3,509	14,114
Loss on disposal of property, plant and equipment	244	-
Amortisation of intangible assets	2,275	427
Loss on disposal of intangible assets	116	-
Donation on SICAV income	159,730	77,895
Auditors' remuneration		
Fees payable to the group's auditors for the audit of the group's financial statements	17,000	12,000
Fees payable to the group's auditors for taxation services	3,000	3,000

5. Employees

The average monthly number of employees (including directors) employed by the group during the year was:

	2017 Number	2016 Number
Sales and administration	17	17

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,131,283	1,002,377
Social security costs	132,704	105,893
Pension costs	17,116	12,000
	1,281,103	1,120,270

6. Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	280,042	166,167
Group pension contributions to defined contribution schemes	12,000	12,000
	292,042	178,167

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	111,659	102,833
Group pension contributions to defined contribution schemes	12,000	-
	123,659	102,833

7. Income tax expense

The charge for the year can be reconciled to the profit/ (loss) per the consolidated statement of comprehensive income as follows:

	2017 £	2016 £
Profit /(loss) before taxation	71,482	(920,647)
Expected tax charge based on a corporation tax rate of 19.75% (2016: 20%)	14,118	(184,129)
Expenses not deductible in determining taxable profit	616	98
Depreciation and amortisation	1,142	2,908
Current year losses for which deferred tax assets has not been recognised	-	181,123
Utilisation of tax losses not previously recognised	(15,876)	-
Tax charge for the year	-	-

8. Investments

Company	**£**
Balance at 1 July 2015	9,034,824
Additions	751,039
Balance at 30 June 2016	9,785,863
Additions	200,000
Balance at 30 June 2017	9,985,863

Subsidiary undertaking	**Country of registration**	**% Ordinary shares held**	**Principal activity**
Alquity Investment Management Limited	United Kingdom	100%	Provision of investment management services
Alquity (Asia) Limited	Hong Kong	100%*	Provision of investment management services

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

Additions in the year relate to the acquisition of a further 20,000,000 shares at £0.01 per share in its subsidiary company, Alquity Investment Management Ltd for £200,000.

9. Intangible assets

Group	Software	Goodwill	Total
	£	£	£
Cost			
At 1 July 2015 and 30 June 2016	4,735	7,104,563	7,109,298
Additions	-	-	-
Disposals	(185)	-	(185)
At 30 June 2017	4,550	7,104,563	7,109,113
Amortisation and impairment			
At 1 July 2015 and 30 June 2016	427	-	427
Charge for the year	2,275	-	2,275
Eliminated on disposals	(70)	-	(70)
At 30 June 2017	2,632	-	2,632
Carrying amount			
At 1 July 2015 and 30 June 2016	4,308	7,104,563	7,108,871
At 30 June 2017	1,918	7,104,563	7,106,481

Goodwill represents the excess consideration over the fair value of the investment in subsidiaries.

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

10. Property, plant and equipment

Group	Leasehold Improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
As at 1 July 2015	61,044	68,650	21,945	151,639
At 30 June 2016	61,044	68,650	21,945	151,639
Disposals	(61,044)	(53,604)	(20,510)	(135,158)
At 30 June 2017	-	15,046	1,435	16,481
Accumulated depreciation				
At 1 July 2015	51,735	58,886	21,945	132,566
Charge for year	9,309	4,805	-	14,114
At 30 June 2016	61,044	63,691	21,945	146,680
Charge for year	-	3,509	-	3,509
Eliminated on disposal	(61,044)	(53,362)	(20,510)	(134,916)
At 30 June 2017	-	13,838	1,435	15,273
Carrying amount				
At 1 July 2015	9,309	9,764	-	19,073
At 30 June 2016	-	4,959	-	4,959
At 30 June 2017	-	1,208	-	1,208

11. Trade and other receivables

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Trade receivables	190,599	-	43,845	-
Other receivables	28,029	-	124,197	-
VAT recoverable	32,232	-	13,899	-
Amounts due from connected companies	517,790	-	517,790	-
Prepayments	249,199	160	900,314	160
	1,017,849	160	1,600,045	160

Included within trade and other receivables is £517,790 (2016: £517,790), which is expected to be recovered in more than 12 months.

12. Trade and other payables

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Trade payables	63,182	-	60,659	-
Social security and other taxation	51,220	-	28,635	-
Accruals and other payables	299,021	239,513	974,497	117,836
	413,423	239,513	1,063,791	117,836

13. Borrowings

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Loans payable after more than one year	4,621,145	4,621,145	4,459,365	4,459,365

i. An unsecured loan note for £3,750,000 was issued on 5th 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 and is 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 28th November 2013. The loan facility may be drawn down as required and in a currency of USD, GBP or EUR as per the lenders 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. At the year end, there is c$650,000 that is available to be drawn down under the provisions of the Facility Agreement.

iii. A secured loan note of £200,000 was issued on 19th November 2015 to Truestone Impact Investment Management Limited. The loan carries interest at 8% and contains floating charges, which covers all property or undertaking of the company. The loan note is repayable on demand.

14. Share capital

Group	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
11,875,111 ordinary shares of £0.00001 each	119	119
3,071,782 preferred ordinary shares of £0.00001 each	30	25
3,750,000 preference shares of £0.00001 each	38	38
174,290 B investment shares of £0.00001 each	1	1
	188	183

The holders of ordinary shares, preferred ordinary shares and B investment 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.

During the period 571,693 preferred ordinary shares were issued at par of £0.00001 per share. In total, £572 was received in relation to the share issue, of which £567 has been credited to the share premium account.

15. Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2017 £	2016 £
Minimum lease payments under operating leases	139,114	99,780

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	17,125	-

16. Capital risk management

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

The group defines 'capital' as including all components of equity. Accordingly, the capital balance for the group as at 30 June 2017 is £3,302,572 (2016: £3,225,966).

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

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

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 group monitors its compliance with the requirement on a daily basis.

The group complied with the requirement at all times during the year.

During the current financial year, the group's strategy, which was unchanged from last year, was to maintain a higher capital level than regulatory requirement of the FCA. The group 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.

17. Related party transactions

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 6 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.

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

a. The group received fee income of £281,902 (2016: £287,767) from Alquity Group Limited, a company under common control. There is £14,055 (2016: £32,296) outstanding from Alquity Group at 30 June 2017. The company also has a loan balance due from Alquity Group Limited totalling £517,790 (2016: £517,790) at 30 June 2017. No interest is charged on this loan.

b. Included within non-current liabilities is a loan of £3,326,111 (2016: £3,426,111) from Alquity Group Limited, a company under common control. See note 13 for further details.

c. Included within non-current liabilities is a loan of £1,089,447 (2016: £827,667) 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 £2,102,003 (2016: £1,122,637) from Alquity SICAV, a company under common control. There is £187,607 (2016: £115,149) outstanding from Alquity SICAV at 30 June 2017.

18. Controlling party

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