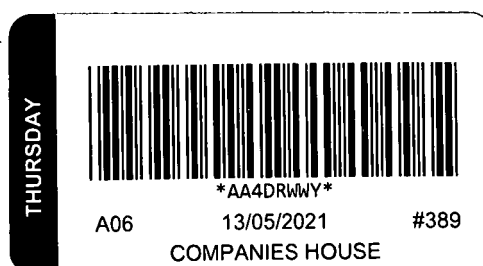


Company Registration 07992381 (England and Wales)

Alquity

Alquity UK Limited

**Annual report and financial statements
for the year ended 30 June 2020**



Alquity UK Limited

Company information

Directors	Paul Robinson Neil Sandy Jane Nicholls
Company Secretary	Paul Robinson
Company number	07992381
Registered office	Third Floor 9 Kingsway London WC2B 6XF
Independent auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

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The directors present the strategic report and financial statements for the year ended 30 June 2020.

Review of the business

Alquity UK Limited ('AUK'), 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.

Alquity Investment Management Limited ('AIML') is an asset management business that connects investors to their investments and social progress in order to deliver better financial outcomes for all.

It is AIML's profound belief that every person on the planet deserves the opportunity to succeed and therefore AIML is committed to building a world leading responsible asset management business focussed on transforming how people invest to create a better, fairer world for all.

'How we deploy our capital shapes our societies': AIML believes that the investing world needs asset managers who will help solve the greenwashing problem and help re-allocate capital towards a sustainable future. It also believes that the evolution of Environmental, Social and Governance ('ESG') and Impact investing requires a holistic approach (combining ESG with Impact) including a quantitative approach to facilitate large-scale strategies. AIML is committed to leading the investment community in this respect.

The funds managed by AIML target attractive returns, defined as performance in the top quartile of our peer group over the long-term (3-5 years), via a high conviction, fundamentally driven process. This approach emphasises not only macro analysis and financial valuation but also ESG factors to assess management quality, operational excellence and firm values. This results in "quality growth" focused portfolios that monetise long-term themes via transparent companies, with effective management who are aligned with all stakeholders.

The funds managed by AIML are therefore responsible by construction, targeting consistent outperformance whilst contributing to long-term development. This philosophy resonates across the broader business; we encourage fund manager engagement and are happy to share our analysis. Our fund managers actively engage with companies on material ESG issues incorporating our Key Progress Indicators ('KPIs') which drive behaviours supporting the principles enshrined in the UN Global Compact.

Further, we recognise that responsible investment alone is insufficient to engender social progress. Therefore, at the corporate level we donate a minimum of 10% of our management fees to development projects in the regions in which we invest. By contributing to long-term sustainable economic development, we create more opportunities for our companies to succeed, closing the AIML virtuous circle. In this way, our business aligns the incentives and values of investors, employees, holdings and communities.

We believe these shared investment values are key to achieving enduring financial success and sustainable social progress.

AIML ensures there is an alignment of interest predominantly through long-term incentives and remuneration of fund managers connected to the performance of the fund. Team members who drive the growth of the Alquity Group and live our values have the opportunity to join the Alquity Enterprise Management Incentive ('EMI') Scheme, which is a UK HMRC approved options scheme.

AIML is responsible for the sales of the funds it manages. AIML sales team has historically been based out of the London office. We also work with a global network of brokers and distributors to market the funds in the Middle East, Africa, Asia, Latin America and Europe. In the retail market our main

distribution channel is through platforms for regular savers, lump sum and pension investors. We have passed their rigorous due diligence due to our gold-standard operational architecture, unique business model and product offering.

Assets under Management

For the year to 30 June 2020, AIML suffered from both negative P&L and redemptions and therefore its assets under management ('AUMs') went from c.US\$196m on 1 July 2019 to c.US\$97m on 30 June 2020, which is not far from the lower levels of c.US\$90m seen at the bottom around May 2020. This means that, besides other initiatives, AIML needs to remain focused and constantly reviewing its austerity measures.

40-40 Campaign

Following the devastating impact of the COVID-19 pandemic, in May 2020 AIML launched its 40-40 Campaign to accelerate its support for those most affected in emerging markets. The objective was and is to deliver tangible social support to 40,000 people as quickly as possible and therefore there is a pledge to donate 40% of the revenues derived from new investments into the Future Fund.

The campaign aims to generate sufficient donations to support projects that will have a transformational impact on communities already suffering discrimination, hardship and economic exclusion, which has only been made worse by the COVID-19 pandemic.

The 40-40 Campaign is about more than investment. It is about creating a movement bringing together like-minded investors who understand that sustainable economic development based upon equality of opportunity, is critical to delivering long term financial returns.

Outlook

The year to 30 June 2020 was a challenging one for AIML. During the year, under the leadership of Brad Crombie, former Global Head of Fixed Income at Aberdeen Standard Investments, AIML has invested heavily in bringing in additional talent. This covers investment, risk analytics and portfolio construction as well as sales. This included, amongst others; the hiring of Marnie Aragon-Uy, Aberdeen's former Global Head of Quantitative Analytics; Alex Boggis, Aberdeen's former Head of Asia; and Renee Arnold, Aberdeen's former Head of Sales for Canada.

The Company is therefore looking into 2021 with renewed confidence taking into account the costs reduction measures, the equity raise and also the actions taken by the Investments Manager/Global Distributor to enhance its investment and sales/distribution capabilities.

Principal risks and uncertainties

Exposure to credit, liquidity, interest rate and foreign currency risk arises in the normal course of the company's business.

Credit risk

The company 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. Receivables are mainly from this source. 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 company'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 company'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.

Foreign currency risk

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

COVID-19 risk

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. In the UK, market activity is being impacted in all sectors and the current response to COVID-19 means that we are faced with an unprecedented set of circumstances. At the approval date of these financial statements, the future impact to the financial services market is unknown and we cannot reliably estimate its effect on trading in the short term.

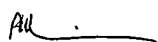
COVID-19 has presented one of the most challenging years for AIML's funds since their inception due to the confinement measures adopted around the world depressing economic activity. In this context, the business acted swiftly and prudently to offset revenue declines with significant cost reductions. In fact, in March AIML implemented an aggressive costs saving exercise, leading to a cash burn better than pre-COVID levels (c.£100k/month). This was done while keeping our team aligned and focused on our future growth plan.

To keep staff motivated and aligned, in return for temporary salary reductions of c.40%, AIML has offered EMI options. Furthermore, virtually all major suppliers accepted reductions amounting to more than 40% for 3-6 months. AIML would like to acknowledge and recognise the significant support of all its service providers in this cost reduction plan which allows the Company to look into 2021 with real optimism.

During the last few months, the Alquity group also focused on other initiatives such as an equity raise of approximately £3m, which is about to be finalised at the time of issuing this report.

The Company identifies its primary stakeholders as their clients, staff, shareholders and regulators. During the year the company has directly engaged with all primary stakeholders through a variety of methods. Elsewhere in the strategic report the Company has considered the actions of the Company with regard to the identified primary stakeholders during the year.

On behalf of the board



.....
Paul Robinson
Director



.....
Neil Sandy
Director

20 April 2021

**Directors' report
For the year ended 30 June 2020**

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activities of the company continued to be that of the provision of sales and marketing services for Alquity Group Limited and the provision of investment management and distribution services to the Alquity SICAV, specifically its Alquity fund.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend 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
Neil Sandy
Jane Nicholls

Auditor

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.

Alquity UK Limited

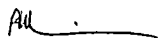
Directors' report (continued)
For the year ended 30 June 2020

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

20 April 2021

Independent auditors' report (continued)
For the year ended 30 June 2020

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 2020 which comprise of the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which describes the impact of the Coronavirus pandemic on the results and financial position of the group and parent company. Note 1.2 discloses that the pandemic represents a material uncertainty to the future of the business which may significantly alter the group and parent company's financial performance from that projected in its financial plan and cashflow projections. Note 1.2 also refers to the additional support available to the group which has enabled the directors to conclude that it is appropriate to prepare financial statements on a going concern basis. It is uncertain as to how long current conditions will continue and how long such additional support will be required and available. As stated in note 1.2, these events or conditions indicate that uncertainty exists that may cast doubt on the group's ability to continue as a going concern.

Independent auditors' report (continued)

For the year ended 30 June 2020

Other information

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

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

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.

Independent auditors' report (continued)
For the year ended 30 June 2020

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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.



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

20 April 2021

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 2020**

	Notes	2020 £	2019 £
Revenue	4	2,059,949	3,708,533
Cost of sales		(403,654)	(599,066)
Gross profit		1,656,295	3,109,467
Other operating income		21,974	
Administrative expenses		(2,704,244)	(2,816,299)
Operating (loss)/profit	5	(1,025,975)	293,168
Finance costs	8	(106,433)	(77,528)
Profit before tax		(1,132,408)	215,640
Income tax expense	9	-	384,965
Profit and total comprehensive income for the year		(1,132,408)	600,605

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

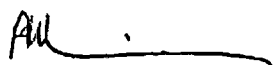
The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Alquity UK Limited

**Consolidated statement of financial position
As at 30 June 2020**

	Notes	2020 £	2019 £
Non-current assets			
Intangible assets	11	7,104,563	7,107,427
Property, plant and equipment	12	226,804	103,659
Deferred tax asset	17	384,965	384,965
		<u>7,716,332</u>	<u>7,596,051</u>
Current assets			
Trade and other receivables	13	1,022,689	2,036,320
Cash and cash equivalents		101,959	187,055
		<u>1,124,648</u>	<u>2,223,375</u>
Total assets		<u>8,840,980</u>	<u>9,819,426</u>
Current liabilities			
Trade and other payables	14	(1,132,905)	(972,856)
Net current liabilities		<u>(8,257)</u>	<u>(1,250,519)</u>
Non-current liabilities			
Trade and other payables	15	(55,128)	(60,853)
Borrowings	16	(3,977,176)	(3,977,541)
Total liabilities		<u>(5,165,209)</u>	<u>(5,011,250)</u>
Net assets		<u>3,675,771</u>	<u>4,808,176</u>
Equity			
Called up share capital	19	193	190
Share premium account		5,303,045	5,303,045
Retained earnings		(1,627,467)	(495,059)
Total equity		<u>3,675,771</u>	<u>4,808,176</u>

These financial statements were approved by the board of directors and authorised for issue on 20 April 2021 and are signed on its behalf by:



Paul Robinson
Director

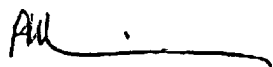
Company Registration No. 07992381

Alquity UK Limited**Company statement of financial position
As at 30 June 2020**

	Notes	2020 £	2019 £
Non-current assets			
Investments	10	8,000,001	9,985,863
Current assets			
Trade and other receivables	13	165	160
Cash and cash equivalents		4,798	4,798
		4,963	4,958
Total assets		8,004,964	9,990,821
Current liabilities			
Trade and other payables	14	(1,501,446)	(1,049,054)
Net current liabilities		(1,496,483)	(1,044,096)
Non-current liabilities			
Borrowings	16	(3,977,176)	(3,977,541)
Total liabilities		(5,478,622)	(5,026,595)
Net assets		2,526,342	4,964,226
Equity			
Called up share capital	19	193	190
Share premium account		5,303,045	5,303,045
Retained earnings		(2,776,896)	(339,009)
Total equity		2,526,342	4,964,226

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 £2,437,887 (2019: profit of £144,176).

These financial statements were approved by the board of directors and authorised for issue on 20 April 2021 and are signed on its behalf by:



Paul Robinson
Director

Company Registration No. 07992381

Alquity UK Limited

Consolidated statement of changes in equity
As at 30 June 2020

	Share capital	Share premium and other reserves	Retained earnings	Total
Group	£	£	£	£
Balance at 1 July 2018	188	5,303,045	(1,095,666)	4,207,567
Issue of shares	2	-	-	2
Total comprehensive profit for the year	-	-	600,605	600,605
Balance at 30 June 2019	190	5,303,045	(495,059)	4,808,176
Issue of shares	9	-	-	9
Redemption of shares	(6)	-	-	(6)
Total comprehensive profit for the year	-	-	(1,132,408)	(1,132,408)
Balance at 30 June 2020	193	5,303,045	(1,627,467)	3,675,771
Company				
Balance at 1 July 2018	188	5,303,045	(483,185)	4,820,048
Issue of shares	2	-	-	2
Total comprehensive profit for the year	-	-	144,176	144,176
Balance at 30 June 2019	190	5,303,045	(339,009)	4,964,226
Issue of shares	9	-	-	9
Redemption of shares	(6)	-	-	(6)
Total comprehensive Profit for the year	-	-	(2,437,887)	(2,437,887)
Balance at 30 June 2020	193	5,303,045	(2,776,896)	2,526,342

Alquity UK Limited

Consolidated statement of cash flows
For the year ended 30 June 2020

Notes	2020		2019	
	Group £	Company £	Group £	Company £
Cash generated from operations				
Profit/(loss) for the year after tax	(1,132,408)	(2,437,887)	600,605	144,176
Adjustments for:				
- Depreciation and amortisation	11,12 169,015	-	19,026	-
- Impairment charge	-	2,337,729	-	-
- Taxation	-	-	(384,965)	-
- Investment income	-	-	-	-
- Interest payable	-	100,158	-	77,528
Movements in working capital:				
(Increase)/decrease in trade and other receivables	1,013,632	(5)	(331,464)	-
Increase/(decrease) in trade and other payables	154,324	452,392	(473,661)	153,285
Cash absorbed by operations	204,563	452,387	(570,459)	374,989
Net cash inflow from operating activities	204,563	452,387	(570,459)	374,989
Investing activities				
Purchase of intangible assets	-	-	-	-
Purchase of property, plant and equipment	(289,296)	-	(118,329)	-
Subscription of new shares in subsidiary company	-	(351,867)	-	-
Net cash generated in investing activities	(289,296)	(351,867)	(118,239)	
Financing activities				
Net proceeds from share issue	3	3	-	-
Loan repayments	(365)	(100,523)	(297,472)	(375,000)
Loan receipts	-	-	-	-
Net cash used from financing activities	(362)	(100,520)	(297,472)	(375,000)
Net increase in cash and cash equivalents	(85,095)	-	(986,260)	(10)
Cash and cash equivalents at beginning of year	187,055	4,798	1,173,316	4,808
Cash and cash equivalents at end of the year	101,960	4,798	187,055	4,798

1. Accounting policies

Company information

Alquity UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 9 Kingsway, London, WC2B 6XF.

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, rounded to the nearest £. 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.

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. Although the group is impacted by COVID-19 and there remains some uncertainty around the future performance of the company, the directors have elected to prepare the financial statements on the going concern basis on the basis that it has been agreed that future support required would be funded by a shareholder.

1.3 Revenue

Revenue across the group is recognised in line with the requirements of IFRS 15 as contractual performance obligations are satisfied, as noted below by revenue stream. Revenue is measured at the fair value of the consideration received adjusted for clawbacks, allowance for impairment, discounts, rebates, and other sales taxes or duty.

— Initial Fee income

Fees are recognised as earned at the point when financial advice is provided.

— Ongoing Fee income

Fees are recognised as and when fees from the management of investments are earned.

— Investment management

Revenue is recognised as gross earned for the value of FUM held within the month.

— Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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 measure 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:

Right of use asset	Life of the lease
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.

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 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 mainly impacts the disclosures of the group. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.9 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.

1.10 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 initially recorded at fair value plus transaction costs.

There are three primary measurement categories for financial assets being:

- a) Amortised cost;
- b) Fair value through other comprehensive income (FVOCI); and
- c) Fair value through profit or loss (FVTPL).

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at *amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.*

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

The group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

1.11 Financial liabilities

The group recognises financial debt when the company becomes a party to the contractual provisions of the instruments. 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. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

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

1.12 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.

1.13 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.

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.

1.14 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.

1.15 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.

1.16 Leases

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual

Notes to the financial statements (continued)
For the year ended 30 June 2020

value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under the purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.17 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.

1.18 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. Adoption of new and revised standards and changes in accounting policies

During the financial year, the group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time:

IFRS 16 Leases	Leases
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual improvements 2015-2017 cycle	

Notes to the financial statements (continued)
For the year ended 30 June 2020

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements except as set out below:

IFRS 16 Leases (as issued by the IASB in January 2016) is effective for all accounting periods beginning on or after 1 January 2019, and in accordance with the transition requirements, comparative information for the year ended 30 June 2019 has not been restated and transitional adjustments have been accounted for through retained earnings at 1 July 2019, the date of initial application.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

The group now recognises right-of use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments. Depreciation on right-of-use assets and interest on lease liabilities is recognised within the income statement.

For short term leases and leases of low value assets, the company has opted to continue to recognise the lease expense within administrative expenses, on a straight line basis as permitted by IFRS 16.

The impact on the income statement for 2020 is as follows:

	£
Increase in finance costs	6,275
Increase in depreciation expense	124,645
Decrease in administrative expenses	(114,300)
Decrease in profit for the year	16,620

The impact on assets, liabilities and equity at 1 July 2019 is as follows:

	£
Right of use assets	280,452
Lease liabilities	(333,452)
Decrease to retained earnings	(53,000)

An incremental borrowing rate of 2.25% was applied to all lease liabilities recognised in the statement of financial position at the date of initial application.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the company and which have not been applied in these financial statements, were in issue but were not yet effective. In some cases, these standards and guidance have not been endorsed for use in the European Union including at 1 July 2020, Covid 19-Related Rent Concessions (Amendment to IFRS 16 *Leases*):

Notes to the financial statements (continued)
For the year ended 30 June 2020

Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 Business Combinations
Amendments to IAS 1 and IAS 8 : Definition of Material
Interest Rate Benchmarks Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
Covid 19 – Related Rent Concessions (Amendment to IFRS 16 Leases)
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)
Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
Annual improvements 2018-2020 cycle
Classification of Liabilities as Current or Non-Current: amendments to IAS 1
IFRS 17 – Insurance Contracts (and amendments)
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)

The directors are evaluating the impact that these standards will have on the financial statements of the group.

3. 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.

Share based payments

Share options were held by employees as at 30 June 2020 (see note 20 for further information on these). As the company is not listed there is not readily available information with regards to the value of the company's shares and as such inputs have had to be based on other similar companies that are listed as well as a number of estimates based on historic information.

As at 30 June 2020, no option charge has been recognised in the financial statements as this was not considered by the directors to be material.

Notes to the financial statements (continued)
For the year ended 30 June 2020

4. Revenue

Geographical breakdown	2020 £	2019 £
Cayman Islands	123,105	822,471
Luxembourg	1,643,030	2,313,810
United Kingdom	24,999	945
United States of America	268,815	571,307
	<u>2,059,949</u>	<u>3,708,533</u>
 Business breakdown	 2020 £	 2019 £
Investment management services	2,059,949	3,707,588
Miscellaneous	-	945
	<u>2,059,949</u>	<u>3,708,533</u>

5. Operating (loss)/profit

	2020 £	2019 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Net foreign exchange losses	6,265	(16,655)
Depreciation of property, plant and equipment	166,151	15,277
Amortisation of intangible assets	2,864	3,749
Operating lease rentals	-	117,371
Donation on SICAV income	168,280	235,584
Auditors' remuneration		
Fees payable to the group's auditors for the audit of the group's financial statements	20,000	25,000
Fees payable to the group's auditors for taxation services	5,000	9,000

Notes to the financial statements (continued)
For the year ended 30 June 2020

6. Employees

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

	2020 Number	2019 Number
Sales and administration	17	17

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,580,374	1,542,544
Social security costs	159,565	220,676
Pension costs	63,148	41,821
	<u>1,803,087</u>	<u>1,805,041</u>

7. Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	419,982	145,041
Group pension contributions to defined contribution schemes	-	750
	<u>419,982</u>	<u>145,791</u>

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

Remuneration for qualifying services	267,990	176,000
Group pension contributions to defined contribution schemes	-	-

8. Finance costs

	2020 £	2019 £
Loan interest payable	100,158	77,528
Other interest payable	6,275	-
	<u>106,433</u>	<u>77,528</u>

Notes to the financial statements (continued)
For the year ended 30 June 2020

9. Income tax expense

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	-	-
Deferred tax		
Origination and reversal of temporary differences	-	(384,965)
	<u>-</u>	<u>(384,965)</u>
Total tax (credit)	<u>-</u>	<u>(384,965)</u>

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

	2020	2019
	£	£
(Loss)/Profit before taxation	<u>(1,132,408)</u>	<u>215,640</u>
Expected tax charge based on a corporation tax rate of 19% (2019: 19%)	(215,158)	40,972
Expenses not deductible in determining taxable profit	1,489	17,928
Overseas income	-	(42,126)
Depreciation and amortisation	7,886	2,903
Capital allowances	(2,198)	(9,852)
Short-term timing differences	(11,500)	(19,049)
Current year tax losses arising and carried forward	223,508	9,224
Utilisation of tax losses not previously recognised	(4,027)	384,965
	<u>-</u>	<u>384,965</u>
Tax charge for the year	<u>-</u>	<u>384,965</u>

10. Investments

Company	£
Balance at 1 July 2019	9,985,863
Additions	-
	<u>9,985,863</u>
Balance at 30 June 2019	9,985,863
Additions	351,867
Impairment loss	(2,337,729)
	<u>8,000,001</u>
Balance at 30 June 2020	<u>8,000,001</u>

The company's principal subsidiary undertakings over shown on the next page.

Alquity UK Limited

Notes to the financial statements (continued) For the year ended 30 June 2020

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.

11. Intangible assets

Group	Software £	Goodwill £	Total £
Cost			
At 1 July 2019	7,498	7,104,563	7,112,061
Additions	-	-	-
Disposals	-	-	-
At 30 June 2020	7,498	7,104,563	7,112,061
Amortisation and impairment			
At 1 July 2019	4,634	-	4,634
Charge for the year	2,864	-	2,864
Eliminated on disposals	-	-	-
At 30 June 2020	7,498	-	7,498
Carrying amount			
At 1 July 2019	2,864	7,104,563	7,107,427
At 30 June 2020	-	7,104,563	7,104,563

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.

Notes to the financial statements (continued)
For the year ended 30 June 2020

12. Property, plant and equipment

Group

	Right of use asset £	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost					
As at 1 July 2018	-	-	5,910	925	6,835
Disposals	-	-	-	-	-
Additions	-	69,803	17,575	30,951	118,329
At 30 June 2019	-	69,803	23,485	31,876	125,164
Disposals	-	-	-	-	-
Additions	280,452	-	6,448	2,396	289,296
At 30 June 2020	280,452	69,803	29,933	34,272	414,460
Accumulated depreciation					
At 1 July 2018	-	-	5,910	318	6,228
Charge for year	-	6,527	3,851	4,899	15,277
Eliminated on disposal	-	-	-	-	-
At 30 June 2019	-	6,527	9,761	5,217	21,505
Charge for year	124,645	13,960	10,728	16,818	166,151
Eliminated on disposal	-	-	-	-	-
At 30 June 2020	124,645	20,487	20,489	22,035	187,656
Carrying amount					
At 1 July 2018	-	-	-	607	607
At 30 June 2019	-	63,276	13,724	26,659	103,659
At 30 June 2020	155,807	49,316	9,444	12,237	226,804

Notes to the financial statements (continued)
For the year ended 30 June 2020

13. Trade and other receivables

	2020		2019	
	Group £	Company £	Group £	Company £
Trade receivables	222,195	-	226,560	-
Other receivables	183,747	-	659,519	-
VAT recoverable	34,849	-	49,883	-
Amounts due from connected companies	519,013	-	701,275	-
Prepayments	62,885	165	399,083	160
	<u>1,022,689</u>	<u>165</u>	<u>2,036,320</u>	<u>160</u>

Included within trade and other receivables is £519,013 (2019: £701,275), which is expected to be recovered in more than 12 months.

14. Trade and other payables due within one year

	2020		2019	
	Group £	Company £	Group £	Company £
Trade payables	210,290	-	147,725	-
Social security and other taxation	172,531	-	59,574	-
Accruals and other payables	750,084	1,501,446	765,557	1,049,055
	<u>1,132,905</u>	<u>1,501,446</u>	<u>972,856</u>	<u>1,049,055</u>

15. Trade and other payables due after one year

	2020		2019	
	Group £	Company £	Group £	Company £
Accruals and other payables	55,128	-	60,853	-
	<u>55,128</u>	<u>-</u>	<u>60,853</u>	<u>-</u>

Notes to the financial statements (continued)
For the year ended 30 June 2020

16. Borrowings

	2020		2019	
	Group £	Company £	Group £	Company £
Loans payable after more than one year	3,977,176	3,977,176	3,977,541	3,977,541

- 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 will be determined by the Board. At 30 June 2020, £2,398,721 (2019: £2,851,111) was outstanding and included in the above aggregate loans payable balance.

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 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 30 June 2020, £1,578,455 (2019: £1,126,430) was outstanding and included in the above aggregate loans payable balance.

Notes to the financial statements (continued)
For the year ended 30 June 2020

17. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses
	£
Deferred tax liability at 1 July 2019	(384,965)
Deferred tax movements in current year	
Credit to profit or loss	-
Deferred tax liability at 30 June 2020	-
Deferred tax asset at 30 June 2020	(384,965)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting

	2020	2019
	£	£
Deferred tax assets	(384,965)	(384,965)

18. Contingent Liabilities

As at 30 June 2020 the company had a contingent liability of £308,433 (2019: £462,932) in relation to the company's capacity as a guarantor on an operating lease.

Notes to the financial statements (continued)
For the year ended 30 June 2020

19. Share capital

Group	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
11,875,111 ordinary shares of £0.00001 each	119	119
2,500,089 preferred ordinary shares of £0.00001 each	25	31
3,750,000 preference shares of £0.00001 each	37	37
174,771 B investment shares of £0.00001 each	2	2
969,716 A ordinary shares of £0.00001 each	10	1
	<u>193</u>	<u>190</u>

During the year the company re-deemed 3,000,000 preferred ordinary shares and issued 821,277 A ordinary shares at par value.

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.

20. Share based payment transactions

The company operates an equity-settled share based remunerations scheme for their employees. This is an EMI share scheme that all employees are allowed to participate in.

	Weighted average exercise price £	Number
Outstanding at 1 July 2019	0.34	2,145,406
Granted during the year	0.38	1,598,878
Exercised during the year	0.33	821,277
Outstanding at 30 June 2020	<u>0.37</u>	<u>2,923,007</u>

The exercise price of options outstanding at 30 June 2020 ranged between £0.00001 and £0.61.

The weighted average share price (at the date of exercise) of options exercised during the year was £0.33.

The weighted average fair value of each option granted during the year was £0.38.

No share option charge has been recognised in the financial statements as it is not considered to be material to the group.

Notes to the financial statements (continued)
For the year ended 30 June 2020

21. 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 2020 is £3,675,788 (2019: £4,808,176).

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.

22. Financial instruments

Credit risk

The company 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.

The company's maximum exposure to credit risk is represented by its trade receivables and cash balances, which are usually paid within 30 working days. The balances represent number of days from the date of invoice. Of the £222,195 trade receivables balance, £22,241 of this is over 30 days old. No impairment has been recognised. Given the credit terms, the balances outside the current category are not deemed past due.

Historically, the company does not have a default rate. The company would typically recognise a provision against the trade receivables balance once the balance is over 60 days old.

Notes to the financial statements (continued)
For the year ended 30 June 2020

Liquidity risk

The company'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.

None of the group's contracted maturities bear interest. £1,132,905 (2019: £972,856) is payable within one year and £55,128 (2019: £60,853) is payable within 1 - 2 years.

Interest rate risk

The company'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.

Foreign currency risk

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

23. 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 £123,105 (2019: £822,471) from Alquity Group Limited, a company under common control. There is £8,386 (2019: £nil) outstanding from Alquity Group at 30 June 2020. The company also has a loan balance due from Alquity Group Limited totalling £519,013 (2019: £701,275) at 30 June 2020. No interest is charged on this loan.
- b. Included within non-current liabilities is a loan of £2,398,721 (2019: £2,851,111) from Alquity Group Limited, a company under common control. See note 16 for further details.
- c. Included within non-current liabilities is a loan of £1,578,455 (2019: £1,126,430) 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 £1,520,540 (2019: £2,313,811) from Alquity SICAV, a company under common control. There is £171,808 (2019: £32,709) outstanding from Alquity SICAV at 30 June 2020.

24. Controlling party

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