



ALPHA FX GROUP PLC  
Annual Report 2019

## A 10-year track record. A day 1 mentality.

The end of 2019 marked Alpha's 10-year anniversary. Within that time, we have delivered organic revenue and profit growth each and every year by always making decisions for the long-term. Both strategically and culturally.

Today, our business looks very different to how it did ten years ago. However, the foundations behind our success have always remained the same: a talented and ambitious team, inspired by a shared vision and life-changing career opportunities. This is why, as a company, we continue to put our people first, knowing that in turn they will do the same by our clients and that our shareholders will benefit from the growth that results.

Drawing a line under the last decade, we now look to 2020 and beyond with the same level of ambition we had when we first started. What's more, by expanding our geographies and range of products, our addressable marketplace is today larger than it has ever been before and we are approaching it with a team that has never been stronger. This is without doubt the most exciting stage in Alpha's journey so far, and whilst this report outlines another strong set of results, the feeling amongst our entire team is unanimous – we are just getting started.

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## Financial Highlights FY 2019

### REVENUE

£35.4m

(2018: £23.5m)

+51%

### UNDERLYING OPERATING PROFIT BEFORE TAX<sup>1</sup>

£14.7m

(2018: £10.0m)

+47%

### OPERATING PROFIT

£13.7m

(2018: £9.7m)

+41%

### UNDERLYING BASIC EARNINGS PER SHARE

30.1p

(2018: 22.7p)

### BASIC EARNINGS PER SHARE

27.7p

(2018: 21.8p)

### TOTAL ANNUAL DIVIDEND PER SHARE

7.6p

(2018: 6.5p)

### IN SUMMARY

Revenue for the year increased by 51% to £35.4m with revenues from Corporate clients serviced from the London Head office increasing by 34% to £27.2m. The Institutional team that was established in March 2018 had an impressive year with revenue of £6.3m compared to £3.1m in the prior year, whilst the recent investments in Canada and Alpha Payment Solutions generated revenue of £0.9m and £1.0m respectively.

Group operating profit in the year grew by 41% to £13.7m. Underlying operating profit is also presented in the income statement to allow a better understanding of the Group's financial performance on a comparable basis from year to year. The underlying operating profit excludes the impact of share-based payments and in the year ended 31 December 2019 also excludes the one-off property related costs relating to the move to new Head Office premises in Paddington. On this basis the underlying operating profit in the year increased by 47% to £14.7m.

Despite the significant investment in the new businesses, the underlying operating profit margin for the year was 42% (2018 – 43%). During the year the total headcount of the Group increased from 82 to 124.

<sup>1</sup> Underlying excludes the impact of exceptional property related costs for the move to Paddington office and non-cash share-based payments made during the financial year.

## Operational Highlights FY 2019

### CLIENTS

# +34%

Increase in clients<sup>2</sup>, from 482 to 648 in 2019.

### INTERNATIONAL REACH

# 36

Revenue generated outside of the UK from clients in 36 countries.

### LONDON OFFICE

# New HQ

Moved into our new office in Paddington, which is up for nomination with a prestigious commercial interior-design body.

### EXPANSION

# +42

We have recruited 42 additional people to join our team, taking our headcount to 124.

### EMPLOYEE PARTNERS<sup>3</sup>

# 44%

44% of employees are Partners in the business as at 31 Dec 2019.\*

### NEW DIVISIONS

# Alpha Canada and Alpha Payment Solutions

Alpha Canada and Alpha Payment Solutions grew revenue consecutively quarter on quarter in their first full year of trading.

<sup>2</sup> The Group exclude Training Accounts (those that have generated less than £10,000 in revenue since being onboarded) in order to provide a clearer picture of client numbers for the purpose of these figures.

<sup>3</sup> The Group defines 'Partner' as an existing employee who held an equity stake prior to the Company's IPO; or is a participant in either the Group's B or C growth shares schemes; or owns shares in one of the Group's subsidiaries. It does not include employees who are solely part of the SAYE scheme when calculating these percentages.



## What makes Alpha different?

### Overview

We are Alpha – a company where people and technology come together to deliver powerful FX risk management and payment solutions to over 600 organisations across 30+ countries.

In an industry that typically adopts a mass-market approach, we partner with higher value clients, to provide enterprise-level solutions across three key areas: FX risk management, international payments and collections.

Our ‘quality over quantity’ approach means that we concentrate our time and effort on considerable revenue opportunities and earn the loyalty of our clients by making a significant difference to their business. This fundamentally requires intelligent, ongoing human interaction which we then amplify through quality processes, capital and technology.

By ensuring our value proposition relies on intelligent human interaction, supported by great processes and technology, we significantly reduce the risk of margin compression and copycat competitors. This remains our significant competitive advantage and is what continues to power our sustainable and profitable revenue growth.

### FX Risk Management

Exchange rates are fluctuating all the time. A modest movement of just 1-2% can have a material impact on the financial performance of organisations trading or investing internationally. Indeed, annual volatility in GBP/USD has moved on average 14% each year over the past 30 years.

Under our approach to FX risk management, we provide clients with strategies, analysis and technology that helps them manage currency volatility more effectively, whilst saving them time and resource. We then underpin these solutions with a variety of ways to buy and sell currency.

Despite our consultative approach, we charge no upfront costs or retainer fees, instead monetising our services through a margin on trades. By doing so, we are able to provide a service traditionally the privilege of FTSE100 companies or those with large treasury departments and make it accessible to those medium to large businesses that are impacted by currency volatility.

### International Payments and Collections

Sending and receiving payments internationally should be a simple requirement for any business. However, traditional systems are struggling to keep up with the fast paced and increasingly complex commercial landscapes of businesses operating internationally. As a result, sending and receiving payments is generally more time-consuming, complicated and costly than it needs to be.

Large organisations with vast operations and payment volumes spanning multiple countries are those that stand to lose the most from these inefficiencies, as they are amplified by the sheer scale and complexity of their operations. Equally, they have the most to gain if these problems can be overcome.

This is where Alpha Payment Solutions adds value. Our international payments and collections offering has been built from the ground-up using greenfield technology, deep domain knowledge, and a global banking network which, until now, has largely remained beyond the reach of medium to large businesses. Our strong sales team and track record has enabled us to cut through a noisy marketplace to introduce medium to large businesses to an enterprise-level payments offering – one that marries high levels of expertise with high levels of innovation to provide significant ROI.

Furthermore, in 2020 we will be expanding our offering further to provide a comprehensive alternative banking solution for clients covering payments, collections, accounts, and virtual accounts.

## Our Market

### Quality Not Quantity

In an industry that typically turns over high volumes of clients, our focus remains on growing and retaining a high-quality client base to create strong and enduring mutual value.

We provide enterprise-level solutions to over 600 medium to large organisations in more than 30 countries, the majority operating in the UK, Europe and Canada. Managing currency and international payments is a universal problem for any organisation operating internationally, and as a result our clients span a wide variety of industries. Regardless of geography or industry, all however share one overarching challenge – the need to manage their international finances in the most effective and efficient way possible. Alpha's role is to provide a service that empowers them to do this, whether through providing support around currency risk management, or introducing new efficiencies into their payment and collection processes.

For our FX risk management clients, our focus is on supporting medium to large businesses that are materially impacted by currency volatility – those with turnover typically ranging from £10m – £500m. For our payments clients, our focus is also on supporting medium to large businesses which are sending and receiving large volumes of payments and/or have complex and extensive international operations.

## Market Opportunity

### Growing our runway

When Alpha listed on AIM in 2017 we operated solely in the UK and had one core offering – corporate currency risk management. Since then, our market opportunity has grown even larger, driven by the following:

- Alpha's plc status and increased balance sheet has enabled us to expand our forward book to service increasingly larger clients, who would not have conducted business with us pre-IPO, due to perceived counterparty risk.
- Investment in a multi-lingual team has enabled geographical expansion, with notable traction in the Netherlands, Nordics, Spain and Italy.
- The expansion of our product offering from corporate currency risk management in 2017, to now include institutional FX services, derivative products, payments, collections and accounts, has enabled us to increase our wallet share from existing customers, as well as service new types of clients whose needs previously fell outside our capabilities.
- The opening of our Canadian sales office has enabled us to overcome regulatory and time zone hurdles, to access a large and exciting new market which shares similar dynamics to the UK.

As a result, we believe the market opportunity for Alpha is more exciting than ever before. Furthermore, we believe that the dynamics within each of our markets, married with the strength of Alpha's own offering and focus on high value clients, means the Group is well placed to grow its market share long into the future.

## Competitive Landscape

In order to understand the competitive landscape we face, we have provided a breakdown of each of the key markets we operate in below.

### FX Risk Management

The corporate and institutional foreign exchange market within the UK, Europe and Canada can largely be broken down into two segments – banks and non-bank financial institutions ('NBFIs'), like Alpha.

Banks continue to dominate the industry: all organisations have at least one banking relationship and therefore banks' market share has largely been inherited through pre-existing relationships and apathy towards change. However, bank offerings are also typically transactional and reactive, with corporates and institutions left to understand and solve problems around effective currency management themselves.

NBFIs make up the remainder of the market. With sales teams dedicated to acquiring clients, they are typically more aggressive than banks, and as a result have been increasing market share. However, they also rely on high volumes of customers and transactions to generate revenues, and their offerings are primarily differentiated by pricing, products and personalities.

The growing familiarity of organisations with NBFIs means that, ostensibly, foreign exchange specialists have a greater opportunity than ever before to gain market share from the banks. This has led to a rise in the number of specialists selling to decision makers (particularly in the corporate space) and as many do so with similar offerings, the receptiveness of decision makers to changing providers is overall very low.

*In light of the above, we believe the foreign exchange providers best positioned to capitalise on this trend are those with a strong track record, intelligent sales team, and differentiated high-tech, high-touch service offering. As a Group that fulfils each of these criteria, Alpha is therefore positioned well on all fronts to continue capturing market share in this space – not just from bank providers, but also its non-banking peers.*

### Payments and Collections

Banks are by far the largest service provider of international payment and collection solutions to medium to large businesses. However, only a cadre of the largest multi-national banks have retained a truly global presence and therefore provide the solutions required to support such an offering. Since 2008, regulatory sanctions and the global recession have put increasing pressure on banks – pressure that has been further exacerbated by legacy technologies and the advent of digital challenger banks who are increasingly vying for domestic market share.

As a result, only a small number of large global banks have continued to invest in their international product offerings, and those that have remain predominantly focused on large FTSE-level clients – those that generate sufficient revenues to offset the cost of maintaining their vast international infrastructure and physical presence. Furthermore, integrating with these banking providers is often a complex process that requires large treasury teams and sophisticated treasury systems (something that clients outside of the FTSE index do not typically have). Because of these trends, many businesses outside of the FTSE-elite remain underserved by their primary (and more domestically focused) banking providers, prohibiting them from accessing products and services that would dramatically streamline their international banking requirements.

By securing unique partnerships with large multinational banks, alongside greenfield technology, the Group established Alpha Payment Solutions to provide a leading international payments offering to medium to large clients, delivered through an intuitive, cloud-based platform. Partner banks also benefit from leveraging Alpha's high-performing sales team, cutting edge technology and focus on medium to large businesses, with Alpha acting as a valuable aggregator to a market segment historically too resource intensive for them to service cost-effectively.

Importantly, the same core competencies that have enabled Alpha to secure unique banking relationships, also provide high barriers of entry to new entrants (such as the growing wave of Fintechs).

*Whilst Alpha Payment Solutions remains at an early stage in its development, we are excited about the opportunity this market presents. Not only will this offering enable us to expand our wallet share within our existing client base, but it will also increase our addressable market further, by enabling us to service clients who have payments or collections as a primary driver, rather than FX risk management. Furthermore, the recurring nature of payments and collections, means that clients acquired in this space provide recurring revenues.*



## What sets us apart

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Working in a competitive industry, we have grown strongly year on year since inception. The fundamental drivers behind our growth (listed below) are relatively simple. All businesses for example have their own people, culture, owners, technology and finances. However, it is how these resources are shaped and prioritised that determine the momentum they generate.

It is therefore the strength and deep levels of differentiation within each of the following areas that continues to set us apart as a business.

- Talent
- Culture
- Clients
- Technology
- Ownership
- Financial Status

## Talent

As the talent of a team grows, so too does its performance potential. By investing significantly in our recruitment process and retaining our high standards, we ensure we have the foundations in place to achieve high levels of performance, both for ourselves and our clients.

Importantly, there are plenty of talented people within average businesses – a reminder that unless talent is empowered, inspired and given the environment and support to grow, it will never realise its potential. This is why our culture, which empowers and drives our people, is key.

## Culture

Guided by a shared set of behaviours and principles, as well as a clearly defined vision, mission, and purpose, our culture is key to ensuring talented people get the most out of their potential, both for themselves and the business. Our people work harder, develop faster, dream bigger and achieve more because of our culture.

The result is exceptional levels of commitment and service innovation for our clients, delivered by people who are inspired by the opportunities they have and the team they work with.

### KEY CHALLENGE: DILUTION OF CULTURE AND TALENT

As we scale and our business becomes more complex, the pressures of resource gaps, managing budgets, growth targets and external influence can all lead to cultural and talent compromises. To prevent this, we continue to ensure we stay true to our values and vision, hiring within our own image.

## Clients

In an industry that is generally volume-based, transactional and target driven, we continue to grow our business by forging long-term relationships with a more focused group of higher value clients. The result is strong levels of client retention, which in turn enables us to invest more time and resource into providing a superior service to the clients we have, rather than stretching our resources across larger numbers of lower value opportunities.

### KEY CHALLENGE: ALIGNING INTERESTS

Businesses that force employees to prioritise their own interests over their clients invariably see an erosion in the quality of their service, client retention and employee satisfaction.

The optimum business model is one where both client and employees' interests are aligned. We continue to achieve this by remunerating staff based on long-term relationships with clients, not short-term results, whilst also never setting individual revenue targets per client. Integrity is everything at Alpha; we are not and never will be a business for individuals who are happy to generate revenue at the detriment of a client.

## Technology

Technology provides both Alpha and its clients with a smarter way of working, using cloud-based systems to empower both our employees and clients. Internally, we leverage proprietary software that enables us to work more efficiently, make more informed decisions and therefore achieve greater output. Externally, we provide our clients with modular platform-based solutions designed to improve efficiencies and decision making across our three core disciplines: FX risk management, payments and collections. Ultimately, by building leading edge solutions for both our clients and ourselves, we ensure we remain at the forefront of our industry.

### KEY CHALLENGE: ROI RETURN ON INNOVATION

Keeping up with the pace of innovation is important and the high-performance nature of our tech team ensures we are well placed to do so. However, equally important is understanding what clients want and the problems they need solving.

In looking to achieve a competitive advantage from our technology, our biggest challenge is to not be drawn into innovation for innovation's sake. We instead focus on developing solutions that are the most relevant to our client base and therefore are the most likely to provide the highest ROI for all involved. We're leading edge, not bleeding edge and those that lead our tech offering, have a strong track record delivering successful technology solutions.

## Collective Ownership

Alpha is a founder-led business with over 40% of Directors and employees owning some form of equity interest in our Group ('Partners'). We are also a business on a journey: our ambitions are long-term and we are fortunate enough not to have any predefined investment horizons that might curtail them. As a result, our commitment and teamwork go further than most – our people put the business first because they recognise what they do (has) or will directly affect them in the future.

### KEY CHALLENGE:

#### RETAINING OUR OPERATIONAL FREEDOM

In order to ensure we maintain the same level of collective ownership as we scale, we are committed to always providing employees with the opportunity to work towards becoming a Partner, with new equity issued through performance-based growth share schemes. These schemes incentivise and reward employees for achieving exceptional results, which in turn translates into enhanced returns for shareholders.

## Financial Status

The strength of our balance sheet and capital position ensures we are able to continue investing in our business to support our growth.

Our plc status also provides us with a compelling story and public track record with which we can differentiate ourselves and attract new clients – especially international businesses and larger corporates. Furthermore, it has enabled us to onboard stronger blue-chip banking counterparties, negotiate better terms with our suppliers, and attract better talent.

Finally, as a public company with strong financial backing, the pressure to compromise or cut corners in order to achieve short-term results is not a threat. Instead, we can focus on growing our business in a way that will deliver long-term sustainable growth and build shareholder value.

“ FX has a huge impact on our investors and the team at Alpha are instrumental in helping us structure a strategy to mitigate risk on the share class. Having dealt with a number of FX providers before, the biggest advantage of working with Alpha is dealing with a team who fully understand the pressures and problems faced by investment managers.

By providing us with the ability to track the impact of FX throughout the life of an investment from our side, their unique approach will serve us well in raising further foreign capital.”

**Javier Boveda**  
Chief Financial Officer

INCUS CAPITAL



How we deliver – We have a simple but effective process for maintaining deep levels of differentiation and ensuring our growth remains sustainable.

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Page 16 to 18 outline our key differentiators – the things that set us apart from our competition and drive our growth. The following pages meanwhile breakdown how we seek to maintain and deepen our points of difference – from finding the right people, to ensuring those people are armed with the resources and infrastructure they need to devise the very best solutions for our clients.

- We identify our people
- We develop our people
- We focus on retaining our people
- We deliver a superior service
- We seek to retain existing clients and win new ones
- We expand into new markets
- We're leading edge, not bleeding edge
- We deliver value for our stakeholders

## We identify our people

We look for high-calibre people who can add to our culture. We've interviewed thousands of candidates to get to the size we are today and will continue to retain our high standards in order to maintain our talent and cultural density as we scale. When a business grows in size and becomes more complex, there is always a risk its culture and talent density will be diluted. Amongst other things, a lack of a clear organisational identity and resource pressures can lead businesses to compromise on their standards: people are hired who are not only less talented, but also less culturally compatible. To combat this, we must ensure our investment in recruitment, people and culture is commensurate to the company's growth, so we can continually maintain our talent and cultural density as we scale.

Ultimately, we fully accept that our culture isn't for everyone. However, the moment we appeal to everyone and dilute our standards is the moment we become an ordinary business.

## We develop our people

Once we have found the right people, our focus is on ensuring they maximise their potential.

We believe that high-performing people develop organically: they are self-improving and self-managing through experience, observation, reflection, reading and discussion. To support this development style, we've worked hard to foster an environment built around collaborative mentorship: one where everyone at Alpha has the opportunity to develop and be developed by other people. This manifests itself in a number of ways. For example, our flat hierarchy means that everyone from Board Directors to new starters sit amongst one another, whilst our principle of radical candour ensures both are just as likely to give candid feedback to one another on how to improve. Collective ownership meanwhile ensures people are generous with their time: everyone is invested in the long-term growth of the company and recognises one another's development is key to it.

Ultimately, our collaborative development style works because of our commitment to surrounding great people with great people.

## We focus on retaining our people

Once we have found the right people, we work hard to ensure they want to remain with us.

We recognise businesses lose employees for four primary reasons: they would prefer to work with other people in another environment; they perceive better opportunities at other companies; they are not testing their abilities; and/or they lack the desired work-life balance.

We believe our company purpose addresses these four issues, which is why we base our retention strategy around it. By providing an exceptional community full of opportunity, that works hard but lives well, we ensure that our people have every reason to stay and little reason to go.

## We deliver a superior service

When it comes to providing a leading service, we passionately believe there are two things that matter more than anything else – people and culture. The reason for this is simple: people and cultures grow, USPs shrink. The quality of our service stems from the quality of the people behind the service and the culture they share. Our 'client first' culture means that we never set individual revenue targets per clients, as it creates a clear conflict of commercial interests. Instead, we focus on ensuring our people's interests are aligned with our clients. Furthermore, our long-term equity incentive schemes and simple commission structures support our team's desire to focus on long-term relationships with clients. This avoids a 'churn and burn' mentality, which is often the default strategy in highly competitive industries.

As a result, we are able to provide a true risk management offering, whilst providing highly valuable payments and collections solutions. See page 9 for more information.

## We seek to retain existing clients and win new ones

By penetrating both new and existing markets we win more clients. We then aim to retain these clients, whilst increasing our wallet share, by constantly evolving our service and earning loyalty and trust.

The currency market is the largest and most liquid market in the world and our market opportunity is both extensive and growing. In addition to supporting corporates and institutions within our core UK market, we now support the FX needs of businesses in over 36 countries. Moving forward, we will continue to capitalise on opportunities that we believe represent significant opportunities for growth, whether through new product development or expansion into new jurisdictions.

## We expand into new markets

We recognise that as well as continuing our penetration within our core UK corporate market, there are other segments both domestically and internationally that share similar characteristics, which can represent significant opportunities for growth, as demonstrated by the launch of Alpha Institutional, Alpha Payment Solutions and Alpha Canada.

When looking at new sectors, our strategy is to find or nurture entrepreneurial talent with the experience or ability to capitalise on those sectors. We then empower these individuals with our culture, infrastructure, reputation and technology, enabling them to take the Alpha platform into new markets as shareholders in their own ventures. By doing so, these individuals realise accelerated returns for both themselves and the Group, whilst fulfilling their ambitions of leading their own ventures. Importantly, we take a measured approach to expansion, and by doing so, we look to protect the interests of our shareholders and ensure our growth remains both consistent and sustainable.

## We're leading edge, not bleeding edge

Our strategy is to monitor trends within our industry and assess their commercial viability. We step back from the bleeding edge of product innovation, recognising that the first to market, risks being the first to fail. Products that are deemed to have strong upside and affinity with our client base are taken into development where our high-performance tech team and scalable modular infrastructure are able to quickly develop an upgraded solution. They then benefit from the momentum of our sales team to realise a strong second-mover advantage.

Ultimately, our strategy of 'moving second to come first' is a more sustainable way of growing our business. It ensures more consistent returns for our shareholders, whilst keeping us on the leading edge, but not the bleeding edge, of the innovation curve.

## We deliver value for our stakeholders

### Our Clients

We deliver an exceptional level of service to our clients – combining leading people, processes and technology, with a philosophy that puts their needs first. The value clients get from this service is reflected in our growth, and strong levels of client retention.

### Our Shareholders

Our vision is to provide long-term, sustainable shareholder value by delivering revenue growth, strong operating margins and sustained shareholder value.

### Our People

Our purpose is to create an exceptional community full of opportunity – one that works hard but lives well. By doing so, we strive to ensure our people's efforts and contributions are properly rewarded, and that they love the business they are a part of and the work they do.

## Chairman's Statement

### Clive Kahn

"I am pleased to report on another successful year for Alpha, a year in which our corporate and institutional divisions continued to perform well across both the UK and European markets."



Newly formed Alpha FX Canada and Alpha Payment Solutions continue to build momentum and we expect to see further growth from both over the coming financial year. The successful move into our Paddington headquarters in August 2019, not only provided us with sufficient capacity to support our growth plans, but helped us to continue attracting high-calibre people and foster the right environment for our culture, both of which are so integral to the Group's success.

#### Results

Once again, we had an excellent year with revenue up 51% to £35.4m (2018 £23.5m). Throughout the year we invested heavily in additional resources to support further market penetration, technological development and the strengthening of our risk and control frameworks. The returns from these investments are already being seen. It is particularly significant, that we have increased our underlying operating profit by 47% to £14.7m (2018 £10.0m) in a year in which we have also increased our investment in our people, technical and controls infrastructure.

#### People

Alpha's people and culture are the bedrock of our success. We strive to create an environment that empowers bright and ambitious people. Our entry into new markets and products has been successful

because the desire and ability to achieve great things runs throughout our team. By continuing to invest significantly in our recruitment process, we are able to build a high-performance team and benefit from their efforts, as reflected in another set of strong results.

With that in mind, it is pleasing to note that following another strong set of results, 29 employees are now able to see their share options vest. As a company that has always thrived off its entrepreneurial mindset, this increased level of ownership naturally bodes well and I believe our results to date speak volumes for the effectiveness of this approach.

I would like to thank all our staff for their continued hard work and dedication throughout the year. The ambition and passion you share is inspiring and I am looking forward to working with you to build further on this in 2020.

#### Dividend

An interim dividend of 2.2p was paid in October and I am pleased to report that the Board is recommending a final dividend of 5.4p, giving a total dividend for the financial year of 7.6p, a 17% increase on the prior year. Subject to approval by shareholders at the Annual General Meeting on 6 May 2020, the final dividend will be paid on 13 May 2020 to shareholders on the register at 14 April 2020.

#### The Year Ahead

Having made good progress in both new and existing markets during the year, and with great capacity in our expanded market, we remain confident that the opportunity for Alpha FX remains strong.

Whilst we are mindful of the potential impact of COVID-19, which we continue to monitor carefully, the robustness of our credit and liquidity risk management frameworks has meant that to date the impact of recent high levels of market volatility on our business has been limited. Furthermore, having adopted cloud technology since inception, Alpha has always been very well placed to operate remotely. Should it be necessary, we are able to utilise this core capability in

order to continue to deliver our services to our clients at this critical time, whilst also safeguarding the health of our employees and their families.

The global outlook remains uncertain at this relatively early stage of the COVID-19 outbreak, however, as at the date of this report, trading for Alpha continues to be in line with expectations. With the growing diversity of our client base and products, both of which span an increasing number of geographies and sectors, and a strong cash and liquidity position, we are confident in our ability to continue servicing the needs of our clients and growing our business as a result.

**Clive Kahn**  
Non-Executive Chairman

## Chief Executive's Statement

### Morgan Tillbrook

"2019 was another highly successful year for Alpha – one that marked 10 consecutive years of strong organic revenue and profit growth."



As well as another strong financial performance from our core corporate and institutional divisions across both the UK and Europe, our new products and divisions have all continued to grow, along with our team, which is now just over 120 people strong.

As a result, during the year, client numbers increased by 34% from 482 to 648, whilst average revenue per client grew by 12%. These trends reflect our ability to attract both new and larger clients, whilst retaining most of our existing clients, whose spend we look to increase as our service offering evolves and the relationship matures.

Our Canadian sales office was launched in October 2018, and grew revenues consecutively in each quarter during the year. We expect both client and employee numbers in this region to grow as we further penetrate this market, and with a strong start to this year already, are expecting to record a profit in Q1 2020.

Alpha Payment Solutions, whilst still in its infancy, performed in line with our expectations during the year, despite also preparing for the launch of a vastly upgraded version of the platform, due for release later this year. With an enhanced offering and a strong leadership team in place, we are therefore highly confident Alpha Payment Solutions is on track to become a meaningful contributor of earnings in the medium-term.

Investment in technology and infrastructure remains important for the continued success of the Group, enabling us to both retain our operational efficiencies and improve our service offering. Our ability to innovate not only adds value to existing clients, but also attracts new types of clients, those with needs in addition to our core currency risk management offering. At the same time, this widens the gap between us and our competitors, by amplifying our areas of differentiation.

Despite our investments, we have continued to retain high levels of profitability, which gives us great confidence in our growth strategy moving forward.

#### Market Opportunity

Alpha still only services a very small portion of a market which, through our successful expansion into new products and geographies, continues to grow. The UK and Europe present a vast opportunity for sustained long-term growth, whilst the launch of our sales office in Canada provides the opportunity to replicate our success in a market which shares very similar dynamics. Alongside this, new products in the form of Alpha Pay provide an ever-larger total addressable market and also enable us to increase the potential wallet share of our existing market. As businesses' familiarity with non-bank financial institutions increases, the appetite for a specialist provider with a clear focus and innovative technology suite such as Alpha increases.

Despite the scale of the opportunity in front of us, it is important to note that we remain focused on taking a 'quality over quantity' approach, both to the clients we work with, the people we employ and the solutions we provide. Whilst we are sector agnostic, our focus remains on servicing high value opportunities by providing a high-tech, high-touch service to medium to large businesses – those with complex needs who fundamentally require intelligent, ongoing human interaction, the value of which can then be amplified by the quality of our processes, capital and technology. Whilst we recognise an even larger marketplace exists beyond this, it is one that is predominantly penetrated by providing low value, product-based solutions to

customers with much simpler requirements. Whilst aspects of our offering would undoubtedly be attractive in this marketplace, medium to large clients stand to achieve a far greater ROI from working with us, which in turn provides a far greater ROI for our own efforts.

#### Core market

Our growth is predominantly driven through our corporate and institutional divisions based within the UK (which represent the Group's core market). We plan to continue to grow our high value client base in these segments through further penetration within the UK, whilst expanding our international client base, particularly within Europe. To support our growth now and in the future, we have continued to increase our headcount in front office, whilst investing further in our infrastructure, client-facing technology, and settlement, risk and compliance functions.

Whilst the increase in front office staff will support further client acquisition in the medium to long-term, the contributions from new hires during the year is minimal as they are in the early stages of their learning curve. The strong results from our core market in 2019 are therefore testament to the quality of our more mature hires and their ability to develop further along the learning curve. This also highlights that, with many staff still in their infancy and even our most mature staff continuing to significantly increase the size of their portfolios, considerable growth can come from our existing front office headcount alone.

We plan to continue to hire and expand the team to support future growth of our core division. As our team grows, our concentration risk is naturally decreasing: revenue generation not only spans a larger number of employees and countries, but clients also build multiple relationships within the business, as a result of Alpha's high-touch and growing service offering. Furthermore, as front office staff grow their portfolio of clients, they build an increasing annuity which, when combined with Alpha's culture and wider career opportunities, ensures strong employee retention and the sustainability of our revenue generation with it.

### New products and markets

The launch of Alpha Payment Solutions and our Canadian sales office reflects our appetite to capitalise on new markets which play to our core strengths in order to create additional growth opportunities whilst also diversifying our revenue streams.

Our institutional division is a good example of the returns that can be made from venturing beyond our existing core market: what was a new market opportunity for us in 2017, is now a core contributor of revenue for the business.

Our Canadian sales office, launched in Q4 2018, achieved consecutive quarter on quarter revenue growth in 2019 and has made a strong start to this year. All key operational and control functions remain in the UK. The sales team in Toronto has now established a strong core team from which to grow. Importantly, we have gone to great lengths to ensure the team we have built is hired according to the same cultural values as our UK office. We will therefore continue to invest to ensure Alpha's core values are embedded within the Canadian team.

Alpha Payment Solutions also performed well during the year and underwent significant developments, which in 2020 will see its capabilities evolve far beyond that of a traditional payments provider. Much like our FX risk management offering, our focus with payments remains on servicing medium to large businesses with more complex structures and requirements.

The second generation of our Alpha Payment Solutions platform is due for launch in 2020 and will add considerable depth to the payments and collections solutions the team provides. The advances to the platform will allow us to build and customise an alternative banking platform for medium to large businesses covering: payments, collections, accounts and virtual accounts. Furthermore, through our partnership with leading global banks, we will also be able to provide clients with access to one of the world's largest local banking network and payment infrastructures. Our second-generation platform is a significant upgrade to our previous platform, which solely provided a traditional cross-border payments service.

The expansion of our corporate division into Europe continues to deliver, driven by a multi-lingual sales team based from our London head office. As a result of our success in Europe, we are also now planning to open a sales office in Amsterdam to increase our rate of penetration within Europe. Amsterdam has more languages per capita than any other European city, making it an attractive hub with which to attract more European speakers in the future. Furthermore, whilst penetration within Europe has already been strong, we believe it could be further enhanced by having a physical presence in another European capital – and one which is fast becoming one of Europe's leading business centres. Like our Canadian sales office, operations will remain in the UK, ensuring the move remains a low-cost, low-risk option. Indeed, the setup and maintenance costs are expected to be lower than Canada, due to the similarities in time zones, regulation, and our ability to migrate members of our existing team from London to that office. This includes two of Alpha's Senior Partners (who will be leading the team), both of whom have had considerable success penetrating the European marketplace from London and who have also played a key part in maintaining Alpha's culture as we have grown.

### People and Culture

Our people and culture remain the lifeblood of our business and we remain committed to investing in both. The increase in headcount predominantly took place in the second half of the year as it was coordinated around the move into our new headquarters in Paddington.

The increase in front office headcount, from 51 to 74, was planned to further our penetration in the UK and beyond. Within this increase, we have grown our multilingual sales team from 8 to 14 people, and this team has enabled us to add clients in 7 new countries (from 29 to 36). In the back office meanwhile, the acceleration in hires (versus prior years) was predominantly designed to support the development of Alpha's second-generation payments, collections and accounts solutions and further enhance the Group's overall technology stack. Importantly, the technology being built by the Alpha Payment Solutions team provides benefits to the wider group as a whole,

in the form of greater automation, resilience and scalability, all of which should support the Group in retaining its highly efficient operating model long into the future.

Our culture and people are what sets us apart from our competitors and in turn give us the confidence in our long-term growth ambitions. Given we have scaled our headcount significantly, I am proud of the fact that we have done so without compromising on either of these foundations.

A cornerstone of our culture has always been 'collective ownership', and as part of this it is pleasing to note that over 40% of our team hold a long-term equity interest in the Group: a reflection of not only the part they've played in this growth story to date, but the impact they will have on it in the long-term future. This level of collective ownership only deepens the difference between us and our competitors further – fostering a culture of entrepreneurialism that is the driving force behind an exciting, but more importantly, sustainable growth story. As part of this equity alignment, we are pleased to announce the establishment of an E Share Growth Scheme, which will provide further committed and high performing employees with the opportunity to share in the long-term success they create.

### Work hard, Live well

The end of 2019 marked Alpha's 10-year anniversary and looking back over the past decade, I am incredibly proud of how far we have come. However, if we wish to continue recreating this success in the future, it is also important to consider what it will take moving forward. In doing so, I come back to Alpha's purpose statement – "to create an exceptional community full of opportunity, that works hard, but lives well." A focus on Community and Opportunity is what has enabled us to become the fast growing, entrepreneurial business we are today: it's what attracts exceptional people to Alpha, nurtures them, and inspires them to achieve outstanding results. However, these opportunities haven't come about through luck or chance. One of Alpha's core behaviours is "seek reality", and our reality is this: if we are going to continue providing meaningful opportunities to our team members, we

must retain our high-performance work ethic. This means that those who join us now must be prepared to work as hard as the team before them have, in order that they can reach the standard we need to continue our growth trajectory. Likewise, it will also be important to remember that more experienced team members who have met these standards should afford themselves the freedom to 'live well'. Working hard is important, but it should be done in the knowledge that, as your ability increases, there is time to live well and enjoy the rewards of your efforts.

I would like to end by thanking all of our team for their continued support and dedication. Your commitment and ambition are inspiring and I am incredibly excited about what we can achieve together in 2020 and beyond. Over the last 10 years, we have proven that we have what it takes to lead the way in our marketplace. However, I believe I speak for everyone when I say, we have a lot more to prove. In that sense, although we have a decade behind us, we are in many ways, a 10-year-old start-up.

Here's to the next decade!

**Morgan Tillbrook**  
Chief Executive Officer

## Our Strategy

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Whilst our business has become larger, we are passionate about focusing on the things that matter the most. Whilst many businesses find comfort in the detail of prescriptive strategies, we are conscious of wrapping ourselves up too tightly in an overly complex strategy that stifles the entrepreneurial spirit that has been key to our business' success.

Fundamentally, we have got to where we are today by focusing on acquiring and retaining high value clients, whilst differentiating ourselves across three key areas: People, Technology and Processes.

If we are able to continue to widen the differentiation between us and our competitors, whilst focusing on the right marketplaces, growth will be the natural outcome. With that in mind, we continue to persevere with a simple but highly effective strategy, which can be broken down as follows:

- Acquire and retain high value clients
- Attract, develop and retain the right people
- Develop our processes and technology

## Business Strategy

AREA	STRATEGY	PROGRESS TO DATE
<p><b>Acquire and retain high-value clients</b></p>	<p>We will continue to grow our client base by increasing market penetration of our FX risk management and payments offerings in the UK, Europe and Canada.</p>	<ul style="list-style-type: none"> <li>- The Group's total number of clients increased from 482 to 648 during the year, representing an increase of 34%.</li> <li>- Average revenue per client increased by 12%</li> <li>- The Group's Front Office headcount increased from 51 to 74 to further accelerate the rate of client acquisition.</li> <li>- The Group's client base expanded from 29 countries to 36 countries, extending our runway for growth.</li> <li>- Alpha FX Canada grew revenues consecutively in each quarter during the year and is well placed to contribute to the Group's profit in 2020.</li> <li>- Alpha Payment Solutions performed in line with expectations and with a clear strategy and strong leadership team established, we are confident it is on track to become a meaningful contributor of earnings in the medium-term.</li> <li>- New website launched in order to support Alpha's expanded product offering and hone Alpha's areas of differentiation more clearly – both as a potential provider of FX services, but also an employer.</li> <li>- Client Services team established, providing a fast and responsive central point of contact for onboarding, implementation phases and day-to-day business queries. Having links to all support team in both front and back office, the client service team can ensure that they achieve the right resolutions and results first time for the client.</li> <li>- Dealing team grew from 7 to 9 ensuring we continue to provide a high-touch service to existing clients in order to retain their business and grow wallet share.</li> <li>- The ongoing evolution of our platform offering through Alpha Payment Solutions continues to add value to our existing client base and provide opportunities to increase our share of their spend. Alongside this, the range of currencies and countries we can provide payments in also increased during the year.</li> <li>- By reinvesting profits we have been able to support larger trades from existing clients.</li> <li>- The currency options offering continues to prove valuable to a growing number of clients, enabling us to cater for a wide spectrum of requirements and sectors, whilst also selling deeper into existing ones and better servicing their needs.</li> </ul>

## Business Strategy [cont.]

AREA	STRATEGY	PROGRESS TO DATE
Attract, develop and retain the right people	People and culture are the lifeblood of our business. As the Group continues to grow, we remain focused on hiring and retaining high-performing individuals who will add to our culture.	<ul style="list-style-type: none"> <li>- Our London team moved to permanent headquarters in Paddington, which has been put forward for nomination with a prestigious design award. The space was designed to nurture and support the Alpha culture and since the move, the positive atmosphere amongst the team has been unprecedented.</li> <li>- Several key hires were made throughout the year to ensure we maintain an efficient and scalable operating model as we grow, including a Head of Enterprise Risk, General Counsel and Head of Operations.</li> <li>- Scaled the technology team from 12 to 19 people, to support the development of Alpha Payment solutions, with significantly enhanced functionality scheduled for release later this year.</li> <li>- A number of 'work hard, live well' initiatives were launched to support retention and the well-being of our team. These included: private healthcare for all employees and their families and the launch of our in-office gym, complete with personal trainer.</li> <li>- The Group's equity incentive plans continue to provide committed and high performing employees with the opportunity to obtain equity in the Company. They create a culture of ownership that remains a key part of the entrepreneurial mentality that drives our growth, with 15 new Partners created in 2019.</li> </ul>
Develop our technology and processes	We will continue to ensure our core service offering and infrastructure remain agile in order that we can maintain an ever-evolving foundation upon which to scale and drive efficiencies.	<ul style="list-style-type: none"> <li>- Significant investments were made in the Group's cloud-based infrastructure in order to support greater automation, scalability and resiliency across the entire organisation, and ensure we reduce operational complexity as we grow.</li> <li>- The Group's Back Office headcount grew from 31 to 50, providing significant operational bandwidth for the future and ensuring excellent service levels upon engagement.</li> <li>- Significant investments made to enhance the Group's enterprise risk management framework, with a Head of Enterprise Risk hired in H1 2019, bringing significant experience and expertise.</li> <li>- Significant investments made in a new reg-tech tool, which will introduce considerable efficiencies into the Group's existing transaction monitoring processes.<sup>4</sup></li> <li>- Our modular technology and API driven tech stack has enabled us to fully connect into our key banking partners, enabling our business to scale without the need for a commensurate increase in Back Office headcount.</li> <li>- We continue to invest in our internal operational technology throughout 2019, with a focus on increasing straight through processing, enhancing our risk controls and increasing scalability through automation.</li> </ul>

<sup>4</sup>Regtech is a catch-all term given to a number of highly innovative technology companies that are leveraging recent advancements in technology (e.g. machine learning and artificial intelligence) in order to significantly enhance regulatory compliance globally. What was previously the preserve of large compliance teams both onshore and offshore, can now in some cases be largely offset with sophisticated technologies. Alpha keeps abreast of these products and services, and where it identifies value, invests accordingly. Alpha's modular and low legacy technology stack has enabled it to integrate these new providers cost-effectively and efficiently.

## Financial Review

### FY 2019



#### Financial Review

Revenue for the year increased by 51% to £35.4m with revenues from Corporate clients serviced from the London Head office increasing by 34% to £27.2m. The Institutional team that was established in March 2018 had an impressive year with revenue of £6.3m compared to £3.1m in the prior year, whilst the recent investments in Canada and Alpha Payment Solutions generated revenue of £0.9m and £1.0m respectively.

The majority of revenue arises from forward transactions and represents the difference between the rate charged to clients and the rate paid to banking counterparties. There were no structural changes in forward commission rates in the year in comparison to the prior year.

Group operating profit in the year grew by 41% to £13.7m. Underlying operating profit is also presented in the income statement to allow a better understanding of the Group's financial performance on a comparable basis from year to year.

The underlying operating profit excludes the impact of share-based payments and in the year ended 31 December 2019 also excludes the one-off property related costs relating to the move to new Head Office premises in Paddington. On this basis the underlying operating profit in the year increased by 47% to £14.7m.

Despite the significant investment in the new businesses, the underlying operating profit margin for the year was 42% (2018 – 43%). During the year the total headcount of the Group increased from 82 to 124.

Underlying basic earnings per share increased from 22.7p in 2018 to 30.1p in 2019. Basic earnings per share in the year increased from 21.8p to 27.7p.

During the year the Group adopted IFRS 16 (Leases) in respect of the lease for its new Head Office premises.

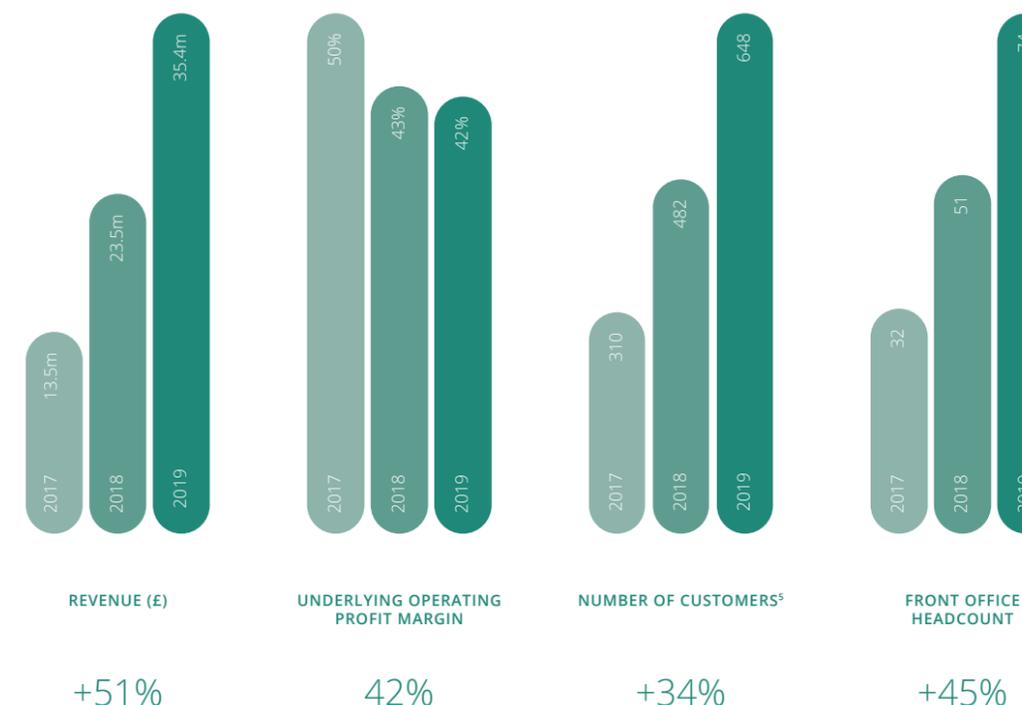
On inception of the lease the Group recognised a right-of-use asset on the balance sheet of £8.1m together with £0.2m of incidental costs and a corresponding liability of £8.1m at the date at which the leased asset is available for use.

Overall net assets of the Group increased in the year by £8.9m to £57.6m.

**Tim Kidd**  
Chief Financial Officer

#### Key performance indicators

The Group monitors its performance using a number of key performance indicators which are reviewed at operational and Board level. The key financial performance indicators are revenue, underlying operating profit margin, number of customers and number of front office staff.



<sup>5</sup>The Group exclude Training Accounts (those that have generated less than £10,000 in revenue since being onboarded) in order to provide a clearer picture of client numbers for the purpose of these figures.

#### Cash flow

On a statutory basis, net cash and cash equivalents increased significantly by £35.6m to £74.0m. The Group's cash position can fluctuate significantly from year to year due to the impact of changes in the collateral received from clients, cash received from clients in advance of the settlement of trades, or the unrealised mark to market profit or loss from client swaps, resulting in an increase or decrease in cash with a corresponding change in other payables and trade receivables. Therefore, in addition to the statutory cash flow, the Group presents an adjusted net cash summary overleaf which excludes the above items.

**Cash flow [cont.]**

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Net cash and cash equivalents	73,960	38,396
Variation margin paid to banking counterparties	1,127	3,539
	75,087	41,935
Margin received from clients and client held funds*	(41,862)	(11,424)
Net MTM timing loss/(profit) from client drawdowns and extensions within trade receivables	5,364	5,208
<b>Adjusted net cash**</b>	<b>38,589</b>	<b>35,719</b>

\* Included in 'other payables' within 'trade and other payables'

\*\* Excluding collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps

The table below presents the operating cash conversion on a similar basis, which excludes collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps.

The cash conversion in the year was negatively impacted by the increase in capital expenditure of £3.0m arising from the office move and internally developed software costs, principally for Alpha Payment Solutions. However, this was largely offset by the impact of an increase in the proportion of revenue being derived from spot, options and payment transactions where the revenue is almost immediately converted into cash. As shown in note 4 to the Financial Statements, this revenue accounted for 30% of total revenue in 2019 compared to 15% in the prior year.

	YEAR ENDED 31 DECEMBER 2019 £'000	YEAR ENDED 31 DECEMBER 2018 £'000
<b>Underlying operating profit</b>	<b>14,735</b>	<b>10,005</b>
Depreciation and amortisation	452	174
Loss on sale of fixed assets	-	63
Increase in debtors**	(2,715)	(3,713)
Increase in creditors**	1,596	1,299
Capital expenditure	(3,523)	(526)
Cash from operations before tax, and after capital expenditure**	10,545	7,302
<b>Conversion</b>	<b>72%</b>	<b>73%</b>

\*\* Excluding collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps

**Dividend**

In our 2018 Annual Report, it was announced that with effect from the start of the year ended 31 December 2019, the Group intended to adopt a progressive dividend policy, targeted at growing dividends each year, rather than basing a dividend on a fixed percentage of profits. Following the payment of an interim dividend of 2.2 pence per share in October 2019, the Board is pleased to declare a final dividend of 5.4 pence per share, equating to an annual dividend of 7.6 pence per share (2018: 6.5p). Subject to shareholder approval, the final dividend will be payable to Shareholders on the register as at 14 April 2020 and will be paid on 13 May 2020. The ex-dividend date is 9 April 2020.

## Section 172 Statement

A key focus of the Board is to promote the success of the company for the benefit of its members as a whole, whilst having regard to other matters (as set out below), as outlined in Section 172 of the Companies Act 2006. Throughout this report there are many examples of how the Board has regard to the likely consequences of any decision in the long-term; the interests of our employees; the need to foster relationships with key stakeholders; the impact of our operations on the community and environment; and how the company maintains a reputation for high standards, whilst conducting its business in a fair and responsible manner. The stakeholders we consider in this regard are our customers, the people who work for us, our owners and those who provide the services we rely on to operate our business.

The following statement provides an overview of how the Board has performed its duties. As a dynamic and fast-growing Group, day-to-day decision making, and stakeholder engagement is often delegated to employees through our governance framework and therefore naturally occurs at an operational level. However, the Board regularly receives and discusses information from across the Group to help it understand the impact of the Group's operations as well as the interests and views of key stakeholders. This information is provided to the Board through reports and in-person presentations. As a result of these activities, the Board has an overview of the outcomes of the stakeholder engagement, and other factors, enabling the Directors to comply with their duties under s172 of the Companies Act 2006.

For more details on how the Board operates, including a summary of its key activities during the year, see page 61-62.

The following are some examples of the stakeholder engagement that has taken place during the financial year:

### Our People

In order to ensure Alpha and its employees' interests remain aligned, employee engagement remains a key priority. In 2018, the Board established an Employee Engagement team led by the company's CEO, focused on maintaining strong relationships between the company and its employees as the business scales. Through this initiative, the Board has continued to engage with and review feedback from its employees in a number of ways throughout 2019, including: bi-annual townhalls, departmental surveys and forums, feedback via Glassdoor, 1-2-1 meetings, company-wide social events, and annual awards ceremonies. Furthermore, the company adopts a principle of radical candour, routinely encouraging employees to provide candid feedback to all members of the business, regardless of seniority and tenure. The CEO's report includes a summary of feedback received in that period, and the content of relevant feedback is always considered during board decision making.

For more information on how we promote the success of our company over the long-term by giving regard to our employees' interests, see:

- Talent, Culture and Collective Ownership | p. 16 - 18
- 'How we deliver' | p. 21-25
- Other Stakeholders | p. 64
- 'Work hard, live well' | p. 31
- Business, Culture, Behaviour & Ethics | p. 65
- Corporate Social Responsibility | p. 70

### Clients

We seek to grow our business organically and sustainably by acquiring new clients, retaining existing ones, and increasing our share of their spend. To achieve this, we put our clients' interests first and aim to provide them with a high value service that yields incremental value as the relationship (and our service offering) matures.

As part of engaging with clients, the senior management including the CEO, CFO and COO often meet with key clients to obtain feedback on the service. Informal meetings are also regularly held with senior client representatives to help the Board better understand the needs and motivations of clients. Regular face-to-face meetings take place throughout the year between Front Office employees and clients, and our team also attend and host industry related events, which provide us with the opportunity to engage with new and existing clients on a range of topics.

Further information on our strategic approach to clients can be found under 'Clients' on p. 17 and 'How we deliver' on p. 21.

### Investors/Shareholders

Access to capital has been key to our long-term success, and the Board therefore strives to obtain investor buy-in to the Group's strategy, which is focused on achieving long-term sustainable growth both for the business and its shareholders.

As part of shareholders deciding whether to invest in our business, we recognise that strong and ongoing shareholder communication is key and the Board regularly receives updates from investors from senior management. The Board is committed to ensuring that shareholders are treated fairly with regard to the level of disclosure provided, whilst being mindful of the commercially sensitive aspects of the business.

For more information on how we engage with our shareholders and act in their interests, see:

- How we deliver | p. 21
- Shareholder communications | p. 64

### Suppliers

Our suppliers play a key part in enabling us to deliver a leading level of service to our clients by amplifying our capabilities and efficiencies. We seek to choose the best products and services to meet our requirements, and then develop strong, long-term relationships with the suppliers that provide them, in order to create strong and enduring mutual value over time. We regularly look for ways to support our suppliers beyond simply providing our custom, whether through providing testimonials, sharing knowledge or recommending them to others we work with.

### Community & Environment

"Creating an exceptional community full of opportunity" is Alpha's purpose statement and outlines the vision the Board has set for our people. As our business grows, we are now taking steps to look beyond our own community to look for ways we can support others. Meetings have already been held to this respect, with the intention of selecting a meaningful cause that we can support in 2020.

The Board is committed to minimising the impact our operations have on the environment. Recycling of office supplies is undertaken wherever possible and the Group operates a largely paperless marketing model. When designing our HQ in London, the Board also made the conscious decision to prioritise more sustainable materials over cheaper, but more harmful non-renewable alternatives.

### Culture

The Board believes culture to be key in achieving long-term growth. Our high standards of business conduct are the direct result of a culture that focuses not only on achieving high-levels of performance, but doing so in a way that is sustainable and has high-levels of integrity. The Board supports the CEO in embedding this culture into the business, and as a result the Group now has a clearly defined vision, mission and purpose along with five key behaviours which govern how we act as a business.

For more information on how our culture supports our business, see:

- Business, Culture, Behaviour & Ethics | p. 65
- Our Behaviours | p. 67
- What sets us apart | Culture | p. 16

#### Long-Term Decision Making

Alpha has always been a business with a long-term focus. A focus on continued innovation and improvements to our service offering (for example, Alpha Payment Solutions) ensures we retain our competitive edge, whilst our investments in new markets and geographies have been designed to expand our runway long into the future. We also only innovate in areas where we are confident there is long-term value to be gained (see 'We're leading edge not bleeding edge on p. 25) and aim to minimise execution risk by ensuring we have researched new markets thoroughly, have the appropriate expertise in place, and that our team and infrastructure will not become overstretched by new ventures. As we grow, we continue to invest in maintaining a scalable and agile operating model, often investing ahead of the curve in anticipation of projected growth. Key examples of this have been, the expansion of our Back Office team to add depth and experience to our core functions, the replacement of our legacy systems with a greenfield and modular tech stack, and the move to our new office.

In an industry that is traditionally volume based and transactional, we continue to grow our business by fostering long-term relationships with a smaller number of higher-value clients, who we look to retain year-on-year. Since our people are key to growing our client base, we take a similarly long-term approach to them too. Over 40% of our team have long-term equity interests in the Group, and commissions for Front Office staff are aligned to the lifetime of our clients, rather than short-term revenue targets. Furthermore, we have invested significantly into creating an environment and culture which supports the long-term ambitions and well-being of our team, notably launching a state-of-the-art HQ in 2019.

Consideration of the long-term consequences of decisions also forms the foundation of our approach to managing risks, and more information on this can be found under the Principal Risks & Uncertainties section of our report on p. 48.

We are by nature, a long-term focused business and further details of this can be found in the following sections of our report:

#### Business Model

- Introduction | p. 1
- Market Opportunity | p. 11
- What Sets Us Apart | p. 15
- How we deliver | p. 21
- Business Strategy | p. 33
- Principal Risks & Uncertainties | p. 48

" From day one Alpha have been very helpful and efficient when managing our foreign exchange requirements. The flexibility on our facility allows us to hedge our revenues in a cost-effective manner, even when our requirements change, and their intuitive portal gives us quick and easy access to view our exposure. The time they took to initially understand our requirements has paid dividends in the service we receive from them today."

Samantha Bartlett  
Head of Finance



## Principal Risks and Uncertainties

Alpha operates a 'Three Lines of Defence' approach to risk management. This framework is overseen and enforced by the Group's Risk Committee.

- Line 1 is risk management: primary responsibility for strategy, performance and risk management lies with the Executive Team and the heads of each department.
- Line 2 is risk oversight: the Risk, Compliance, Finance and Legal Teams provide risk oversight.
- Line 3 is independent assurance: independent assurance on the effectiveness of the risk management systems and controls.

In 2019 Alpha invested heavily in the Risk and Compliance functions by first of all splitting them into two distinct risk and compliance departments, and then hiring an experienced Head of Enterprise Risk and doubling the size of the Compliance team. In anticipation of projected growth, Alpha invests ahead of the curve especially in terms of compliance and risk management.

Alpha's Enterprise Risk management framework has been materially strengthened across all four key risk categories: Operational and Compliance Risk, Financial Risk, Strategic Risk and Information Risk. A significant piece of work has been completed in 2019 to ensure Alpha's risk appetite remains clearly defined and communicated across the Group. This has included the embedding of Board level key risk indicators as well as a groupwide risk and control self-assessment. Through allocating individual risks within four distinct categories Alpha has a clear and defined framework against which all risk reporting is categorised and structured.

In 2019 annual independent external audits were conducted across (i) Compliance AML, (ii) Information Security, (iii) Settlements/Finance and (iv) Technology – change management and access controls.

## Principle Risks and Uncertainties

The key strategic risks and uncertainties that the Directors consider could impact the business are set out below.

RISK	POTENTIAL IMPACT	RISK MITIGATION
<p><b>Information Risk - cyber and data security, including GDPR compliance</b></p>	<p>The Group depends on the performance, availability and reliability of its technology systems to operate. The Group faces the risk of its operating systems failing, as well as the failure to safeguard the business-critical data and systems against information security risks.</p> <p>As a result, the Group may become unable to carry out its business activities resulting in a financial and reputational loss, as well as the potential for regulatory sanctions.</p>	<ul style="list-style-type: none"> <li>- A multi-layered defence in depth approach to information security, including robust network perimeter defences, vulnerability management, and endpoint protection is taken. Our core infrastructure leverages cloud-based security services.</li> <li>- Penetration testing is conducted throughout the year alongside independent assessments and certification (such as Cyber Essentials Plus).</li> <li>- Company-wide training and communications to boost awareness including phishing simulations at varying degrees of sophistication.</li> <li>- Disaster recovery arrangements are in place alongside comprehensive back-up arrangements.</li> <li>- Alpha's Head of Data is responsible for data security alongside external support and validation, ensuring compliance with GDPR and other relevant legislation.</li> </ul>
<p><b>Operational Risk</b></p>	<p>The Group is subject to the risk of loss resulting from inadequate or failed internal processes, people, systems or external events.</p> <p>This can include the incorrect inputting or execution of a trade or settlement (either into the Group's reporting software or to one of the Group's banking counterparties), as well as internal fraud e.g. intentional misreporting of positions, employee thefts, and insider trading on an employee's own account.</p>	<ul style="list-style-type: none"> <li>- A significant investment has been made in operational risk management in 2019. The hiring of a Head of Enterprise Risk, Head of Operations, and the establishment of a more stringent risk framework has enabled the group to more succinctly identify and quantify operational risk across the firm.</li> <li>- A firm-wide risk and control self-assessment has been conducted on each department to identify all operational risks at an inherent and residual level. Risk champions are embedded within all departments across the front and back office teams to instil accountability.</li> <li>- The Group maintains a strict division between Front and Back Office functions to ensure Back Office remain independent and attentive to any errors that may have been caused by Front Office.</li> <li>- Internal fraud is minimised through investment in compliance resource and functions, pre-employment screening of all employees, maintaining strict delegated authority limits, segregation of duties and regular monitoring and oversight across different management functions. The Group also has comprehensive insurance policies in place to partially indemnify against the risk of fraud from an internal member of staff.</li> <li>- The Group continue to invest and focus on retaining a scalable operating model, with particular ongoing focus on automation and straight through processing.</li> </ul>

## Principle Risks and Uncertainties [cont.]

RISK	POTENTIAL IMPACT	RISK MITIGATION
<b>Operational Risk – Financial Reporting Risk</b>	The Group may face the risk of reputational damage and financial loss resulting from a material misstatement in the Group's financial reporting.	<ul style="list-style-type: none"> <li>- Ongoing internal reviews and reconciliations carried out by qualified and experienced members of staff and the oversight of the Audit Committee.</li> </ul>
<b>Regulatory Risk</b>	<p>The Group faces the risk of failing to adhere to its regulatory and legal requirements. The provision of the Group's services falls within various regulatory spheres, including the UK Money Laundering Regulations 2017, the E Money Regulations 2011, the UK Financial Services and Markets Act 2000, the Markets in Financial Instruments Directive (MiFID), Senior Managers &amp; Certification Regime (SMCR) and the General Data Protection Regulation (GDPR) enforced by the Information Commissioner's Office (ICO).</p> <p>Failure to meet the above regulatory requirements could see the Group exposed to significant regulatory penalties. Additionally, any new regulation or changes to existing regulation may require the Group to increase its spending on regulatory compliance and / or change business practices.</p>	<ul style="list-style-type: none"> <li>- The Group maintains robust policies and procedures, systems and controls, and monitoring and assurance programs to ensure continued compliance with its regulatory obligations. The Board is provided with a compliance update at each Board meeting.</li> <li>- The Group engages the services of independent compliance consultancies to review its compliance with regulatory requirements. In 2019 independent external audits were conducted on our AML and Safeguarding processes and presented to the plc Board. There were no high-risk findings.</li> <li>- The Compliance team has doubled in size in 2019. Senior hires have been made to complement the existing set up and futureproof the team for near-term growth. A new transaction monitoring system has been chosen and the Group commenced integration at the end of 2019.</li> <li>- The impact of Brexit is being monitored and in the event of a hard Brexit, the Group has a plan designed to limit its impact.</li> </ul>
<b>Financial Risk - Credit Risk</b>	Alpha is exposed to credit risk if a client fails to deliver currency at maturity of the contract and/or fails to deposit margin when a margin call is made. Alpha's credit risk is equal to the negative fair value of the contract at the time of cancellation (net of any deposit or variation margin held at the time of cancellation).	<ul style="list-style-type: none"> <li>- A dedicated Credit team with significant experience reviews all credit lines and conducts ongoing reviews.</li> <li>- Alpha assesses the creditworthiness of clients and establishes credit limits when extending hedging facilities which are reviewed by senior management, according to thresholds set out in a delegated authority matrix.</li> <li>- A credit policy is in place to mitigate any potential losses arising from a client failing to settle. Alpha maintains limits which when exceeded enable it to request deposit (known as margin call) from clients, minimising its credit exposure.</li> <li>- Alpha conducts ongoing stress testing of its credit book to simulate stressed market conditions.</li> </ul>

## Principle Risks and Uncertainties [cont.]

RISK	POTENTIAL IMPACT	RISK MITIGATION
Financial Risk - Liquidity	Alpha operates a matched-principal brokerage model, meaning that it immediately executes a matching trade with its banking counterparties on receipt of client orders. Liquidity risk arises if Alpha is unable to meet its financial obligations when they fall due. An example of this would be the inability of Alpha to place margin (deposit), when requested by its banking counterparties. In this scenario, Alpha may be unable or restricted to meet its trading capital requirements which in turn could result in its banking counterparties terminating the financing facilities currently provided.	<ul style="list-style-type: none"> <li>- The Group has developed an in-house bespoke liquidity platform which monitors balances and performs daily liquidity stress testing. The platform is monitored by Alpha's Liquidity department with second level oversight provided by the Risk team.</li> <li>- Alpha's terms of business enable it to collect margin from its client in response to adverse market moves (margin calls). Alpha benefits from the impact of netting. Alpha is called to place margin from its banking counterparties on a netted currency pair basis whereas it is able to call its clients for margin on a gross basis.</li> <li>- Key risk indicators alert the Board (as applicable) early on to conditions which could potentially lead to a period of stretched liquidity.</li> <li>- The Group continues to reinvest profits in order to continue to grow its free-cash base. Cash conversion has been improved by Alpha's growing product mix (e.g. FX Options and Alpha Pay)</li> <li>- The Senior Management team reviews forecasts and actual cash flows on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.</li> </ul>
Key Person Risk	The Group's success is linked to the efforts and abilities of key personnel and its capacity to retain such personnel. The executive management team has significant experience in the industry and has made an important contribution to the Group's growth and success. The loss of any member of the executive management team may have an adverse effect on the operations of the Group.	<ul style="list-style-type: none"> <li>- The Group continues to value the contribution made by its key employees and reward them accordingly.</li> <li>- The Group operates cross functional input and knowledge sharing, and there is a detailed business continuity plan in the event of a disruption.</li> <li>- The Group has comprehensive key person insurance policy in place. All key management have entered into service contracts which provide notice periods for the Group's protection.</li> </ul>
Strategic Risk - Relationships with banking counterparties	Banking partners may cease to deal with Alpha, cease to service our sector, reduce the service they offer, alter the terms on which they are willing to offer services to Alpha or exit one or more of the markets for which Alpha uses its services. Loss of one or more banking partners could result in business disruption.	<ul style="list-style-type: none"> <li>- The Group holds strong, transparent relationships with multiple banking partners and remains aligned on risk appetite.</li> <li>- The Group invests considerably in compliance and independent audits, to prevent any material breaches from occurring that could undermine its relationships.</li> <li>- The Group focuses on ensuring reputational risks are identified and remedied, where possible.</li> </ul>

## Principle Risks and Uncertainties [cont.]

RISK	POTENTIAL IMPACT	RISK MITIGATION
Strategic Risk - Competition and spread compression	All of the Group's businesses compete in the areas of pricing and service, facing competition from a number of sources. Increased competition can result in lost business, revenue and reduced profitability.	<ul style="list-style-type: none"> <li>- Our value proposition relies on intelligent human interaction, not just great processes and technology, which significantly reduces the risk of margin compression and copycat competitors.</li> <li>- The Group maintains an experienced 'best in class' sales team and leading service offering.</li> </ul>
Strategic Risk - Reputational risk	Alpha is highly regarded in its industry. Maintaining this reputation is important to retaining our existing clients, expanding our client base and preserving our strong relationships with our banking partners. There is a risk that an unforeseen event may adversely affect Alpha's reputation impacting future profitability.	<ul style="list-style-type: none"> <li>- Alpha's strategic risk register identifies reputational risks and the mechanisms we have in place to control them. Ownership of Strategic risk is assigned to individual Board members of Alpha FX Limited.</li> </ul>
Strategic Risk - Expansion and diversification	As Alpha looks to expand our service offering and diversify into new markets there is the risk that our expansion and diversification exposes us to execution risk.	<ul style="list-style-type: none"> <li>- The Group looks to acquire highly talented business heads/MDs to lead the new products or geographies it looks to expand into.</li> <li>- Regular and open dialogue between Execs and Non-execs at plc Board level on execution risk and group strategy takes place before moving into new markets. Alpha's Board has extensive experience of entering new markets and scaling businesses, which it applies when considering new opportunities.</li> <li>- The Group has a strong track record of expanding successfully into new geographical markets and draws upon its experience and lessons learned when considering new opportunities.</li> </ul>

## Board of Directors

The Board is responsible for the proper management of the Company by formulating, reviewing and approving the Company's strategy, budgets and corporate actions.

In order to achieve its objectives, the Board adopts the ten principles of the QCA code. Through successfully implementing these principles, the Company aims to deliver long-term growth for shareholders and is able to maintain a flexible, efficient and effective management framework within an entrepreneurial environment.



**Clive Kahn**  
Non-Executive Chairman

Clive has over 30 years of experience in financial services, particularly FX and payments. He previously served as Chief Financial Officer and Chief Executive Officer of Travelex, the global foreign exchange business, as well as CEO of Cardsave, a credit card acceptance and payments solutions business. In addition to his role as Non-Executive Chairman of Alpha FX Group PLC, Clive is CEO of takepayments LTD, a payment solutions business. Clive is also a Chartered Accountant.

**Maintaining Skill Set:**

As Chief Executive Officer of a regulated and high growth payments business, Clive's skills and experience are kept up to date by nature of his current role. He also attends a variety of skill-focused conferences.

**Committee Membership:**

- Nominations Committee Chair
- Remuneration Committee member
- Audit Committee member



**Morgan Tillbrook**  
Chief Executive Officer

Morgan founded Alpha in 2009 after identifying the opportunity to provide a high-quality FX advisory service differentiated from traditional providers. As CEO, Morgan has been instrumental in the expansion of the Group and its strong organic growth profile, and is responsible for the overall strategic development of the Group (both within the UK and internationally).

**Maintaining Skill Set:**

As Chief Executive Officer of a regulated and high growth FX solutions business, Morgan's experience is kept up to date by nature of his day to day role. He also attends a variety of meetings and events to support his personal development and is an avid reader of self-development literature.

**Committee Membership:**

- Nominations Committee member



**Tim Kidd**  
**Chief Financial Officer &  
 Company Secretary**

Tim has over 25 years' experience in accounting and finance, including 16 years at FTSE listed ICAP PLC where he held several senior finance and accounting roles, including Group Financial Controller and EMEA Chief Financial Officer. Tim is also a Chartered Accountant and Graduated with a degree in Accounting and Finance in 1987.

**Maintaining Skill Set:**

As CFO of Alpha FX, Tim keeps his skills and experience up to date by nature of his day-to-day role. Furthermore, as a Chartered Accountant he undertakes Continuous Professional Development (CPD) training, alongside a variety of technical courses and subscriptions to professional publications.

**Committee membership:**

– N/A



**Henry Lisney**  
**Chief Operating Officer**

Henry is responsible for ensuring Alpha maintains a scalable operating model, whilst overseeing our regulatory controls, governance and security. He joined Alpha in 2013, before quickly rising to the Role of Operations Director in 2015. He was appointed to the Board as COO in 2018.

Henry is a member of the Chartered Institute for Securities and Investment and holds a first-class degree in Management and Accounting.

**Maintaining Skill Set:**

As COO of a regulated and high growth FX solutions business, Henry's experience is kept up to date by nature of his day to day role. He is also a practicing member of the Chartered Institute of Securities and Investments and attends a variety of skill-focused conferences and seminars.

**Committee membership:**

– N/A



**Lisa Gordon**  
**Non-Executive Director**

Lisa has more than 25 years of board experience at both listed and private companies. She was previously a founding Director of Local World PLC which was acquired by Trinity Mirror PLC in November 2015, as well as COO of Yattendon Group, a private conglomerate, and Corporate Development Director of Chrysalis Group PLC, the media group.

Lisa has also recently been appointed Chairman at Cenkos Securities Plc, (subject to FCA approval), and is also a Non-Executive Director of Magic Light Pictures, a leading children's film and television production company.

**Maintaining Skill Set:**

Lisa's skills and experience are kept up to date by nature of her current roles. She also attends numerous NED CPD training events and professional seminars.

**Committee membership:**

- Remuneration Committee Chair
- Audit Committee Chair
- Nomination Committee member



**Matthew Knowles**  
**Non-Executive Director**

Matt brings significant industry expertise to Alpha, having spent 19 years at HiFX, a business he co-founded, providing international payment services to both consumer and corporate clients. At the time of his departure from HiFX Matt was responsible for approximately 400 employees across 6 offices internationally, and had led the company through a number of high-profile acquisitions, as well as a sale to Nasdaq listed Euronet Inc.

Matt is also a Venture Partner at TempoCap, a late-stage growth investor (VC Fund), investing in disruptive technology companies. Alongside this, he is Chairman of Bleckwen, a French regtech business.

**Maintaining Skill Set:**

As a Chairman, Non-Executive Director and Venture Partner involved and exposed to numerous disruptive business models and technology, Matt's skills and experience are kept up to date by nature of his day-to-day roles. He also attends numerous NED training events and professional seminars, as well as skills-focused conferences.

**Committee membership:**

- Remuneration Committee member
- Audit Committee member

## Corporate Governance Statement

The Board recognises the value and importance of high standards of corporate governance and ensuring that all of its practices are conducted transparently, ethically and efficiently. This section sets out our approach to corporate governance and provides further information on how the Board and its committees operate.

In compliance with the AIM Rules for Companies, the Group has chosen to formalise its governance policies by complying with the QCA Corporate Governance Code for Small and Mid-Sized Quoted Companies (the "QCA Code"). The table below outlines the ten principles of the QCA code and highlights where in this report the company's compliance is detailed. Further information on Alpha's corporate governance can be found on our website – <https://www.alphafx.co.uk/investors>.

### The QCA Corporate Governance Code

	GOVERNANCE PRINCIPLES	RELEVANT SECTIONS OF THE ANNUAL REPORT
1	Establish a strategy and business model to promote long-term value for shareholders.	Strategic Report   p.8 - 37
2	Seek to understand and meet shareholders needs and expectations.	Investors/Shareholders   p. 43 Shareholder Communications   p.64
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Section 172 Statement   p. 43 Other Stakeholders   p.64 Corporate Social Responsibility   p. 70
4	Embed effective risk management, considering both opportunities and threats, throughout the entire organisation.	Principal Risks & Uncertainties   p.47-55 Internal Controls & Assessment of Business Risk   p.64
5	Maintain the Board as a well-functioning, balanced team led by the Chair.	Board of Directors   p.57-59 Corporate Governance Statement   p.61-65
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Board of Directors   p.57-59 Board Effectiveness   p.63

	GOVERNANCE PRINCIPLES	RELEVANT SECTIONS OF THE ANNUAL REPORT
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Board Effectiveness   p.63 Remuneration Committee Report   p.72-74
8	Promote a corporate culture that is based on ethical values and behaviours.	Clients   p. 17 Culture   p. 43 Business Culture, Behaviour & Ethics   p.65 Corporate Social Responsibility   p.70
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Corporate Governance Statement   p.61-65 Remuneration Committee Report   p.72-74 Audit Committee Report   p.75-76
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Corporate Governance Statement   p.61-65 Further information is also published on our website: <a href="https://www.alphafx.co.uk/investors">alphafx.co.uk/investors</a>

### Board Composition

The Board is responsible to shareholders for the successful stewardship of the Group and sets the Group's strategy for long-term success. It is important that the Board itself contains the right mix of skills, experience and knowledge in order to deliver the Strategy of the Group. As such, the Board comprises three Executive Directors and, including the Chairman, three independent Non-Executive Directors. The Board considers that Clive Kahn (acting as Chairman), Lisa Gordon and Matthew Knowles are independent within the meaning of the UK Corporate Governance Code.

The Chairman and Chief Executive have distinct roles. The Chairman's primary responsibility is the delivery of the Group's corporate governance and the effective operation of the Board of Directors, whilst the Chief Executive is responsible for the operation of the Group in order to deliver on its strategic objectives. The Chairman has a clear separation from the day-to-day business of the Group which allows him to make independent decisions.

The Board believes the size and composition of the Board is appropriate given the size and stage of development of the Group and, as per the individual biographies, that the Directors bring a desirable range of skills, experience, personal qualities and capabilities in light of the Group's challenges and opportunities, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. All Board Directors are subject to election at their first Annual General Meeting and to re-election annually thereafter.

### How the Board Operates

The Board is responsible for the proper management of the Group by formulating, reviewing and approving the Group's strategy, budgets, and corporate actions.

In order to achieve its objectives, the Board adopts the ten principles of the QCA Code.

## Corporate Governance Statement [cont.]

Through successfully implementing these principles, the Group aims to deliver long-term growth for shareholders and is able to maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

The Group's strategy is outlined on pages 33-37 and summarises the Board's approach to achieving sustainable long-term growth and value for shareholders. Matters reserved for the attention of the Board which are reviewed annually include:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Risk management and internal controls
- Regulatory reporting and controls
- Contracts
- Investment in new businesses
- Commitment to material expenditure
- Senior management succession
- Shareholder communication
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance

### Board Meetings

The Board met seven times during the year and Non-Executive Directors also communicate directly with Executive Directors and Senior Management between formal Board meetings.

The Chairman and the Chief Operating Officer plan the agenda for each Board meeting in consultation with all other Directors. The agenda is issued with supporting papers ahead of the Board meetings, along with appropriate information required to enable the Board to discharge its duties.

Directors are expected to attend all Board meetings, and the Committee meetings on which they are members. The table below shows Director's attendance at scheduled Board and Committee meetings during the year. The Nominations Committee did not meet during the year.

### Board Committees

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee, each with formally delegated duties and responsibilities and with written terms of reference. Each Committee comprises Non-Executive Directors of the Group. No new independent external advice was sought by the Board or its Committees during the year.

### Audit Committee

The Audit Committee is chaired by Lisa Gordon and its other members are Clive Kahn and Matthew Knowles, all of whom are independent Non-Executive Directors and have recent and relevant financial experience.

The Audit Committee determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. In addition, it considers the financial performance, position and prospects of the Group and ensure they are properly monitored and reported on. The Audit Committee meets not less than twice in each financial year and has unrestricted access to the Group's auditors.

Key areas of activity:

- Financial reporting
- Internal control and risk management reviews
- External audit
- Review of the Risk Register
- Consult with Head of Compliance department independent of executive Directors
- Review of complaints register

### Remuneration Committee

The Remuneration Committee is chaired by Lisa Gordon and its other members are Clive Kahn and Matthew Knowles all of whom are independent, Non-Executive Directors.

The Remuneration Committee reviews the performance of the Executive Directors and sets their remuneration, determines the payment of bonuses to the Executive Directors and considers the Group's long-term incentive arrangements for employees. In exercising this role, members of this committee have regard to the recommendations put forward in the Corporate Governance Code and to industry benchmarks. The Remuneration Committee meets not less than once a year and at such other times as the Chairman of the committee requires.

The Remuneration Report on pages 72 to 74 contains more detailed information on the Committee's roles and the Director's remuneration and fees.

Key areas of activity:

- Oversight of Executive Remuneration policy
- Review of Director's remuneration against benchmark data
- Setting and appraisal of performance targets
- Established equity scheme through Sharesave

### Nominations Committee

The nomination committee is chaired by Clive Kahn; its other members are Lisa Gordon and Morgan Tillbrook. The Nominations Committee reviews and recommends nominees as new Directors to the Board. The Nominations Committee meets as the Chairman of the committee requires.

Key areas of activity:

- Assesses the adequacy of the knowledge pool of Non-Executive Directors
- Assesses the adequacy of representativeness of Non-Executive Directors
- Approve the appointment of any new Non-Executive Directors
- Succession planning

### Board Effectiveness

At the current stage of the Group's development, assessment of the Board's performance and that of its committees is undertaken by the Board as a whole, led by the Group's Chairman.

Although the Group has no formal procedure for measuring the effectiveness of the Board, the Board will be carefully reviewing its effectiveness and the need to refresh its membership by reference to financial performance, adherence to budgets and the overall growth of the Group, and taking account of the opinions and insights of its auditors, Nominated Adviser, broker, legal and other advisers, and shareholders. The method of assessing Board effectiveness and performance will be reviewed on a continuing basis.

The skills, experience, personal qualities and capabilities of the Board are outlined in their biographical details on pages 57 to 59.

MEMBER	BOARD	REMUNERATION	AUDIT
Clive Kahn	7/7	1/1	2/2
Morgan Tillbrook	7/7	NA	NA
Tim Kidd	7/7	NA	NA
Henry Lisney	7/7	NA	NA
Lisa Gordon	7/7	1/1	2/2
Matthew Knowles	7/7	1/1	2/2

## Corporate Governance Statement [cont.]

Their experiences and characteristics give them the ability to deliver and challenge the Group's strategy for the benefit of shareholders. The Board keeps succession planning under review and monitors the progress and success of the development plans which have been established for relevant employees, with a particular focus on ensuring over time all senior management positions have at least one internal successor. The Committee also monitors the length of tenure of the Chairman and Non-Executive Directors and the mix and skills of the Directors.

### Time Commitments

The Directors recognise the need to commit the time necessary to fulfil their roles. This requirement is included in their letters of appointment. The Board is satisfied that the Chairman and Non-Executive Directors are able to commit sufficient time to the Group's business. There has been no significant change in the Chairman's time commitments since his appointment.

### Internal Controls and Assessment of Business Risk

The Board has ultimate responsibility for the Group's internal control and risk management processes, all of which are designed to manage and mitigate risks that may undermine the Group's strategic objectives. Such systems can only provide a reasonable but not absolute level of assurance against material misstatement or loss. The Audit Committee monitors and reviews the Group's internal control procedures and reports its conclusions and recommendations to the Board.

### Shareholder Communications

The Directors are conscious of their duty under section 172 of the Companies Act 2006 to have regard to stakeholder interests when discharging their duty to promote the success of the Company

for the benefit of its members, and will continue to assess and evolve the effectiveness of its engagement with all stakeholders.

Alpha is committed to ensuring appropriate communication and reporting structures exist between the Board and its existing and potential shareholders. The Group maintains communication with both current and potential institutional shareholders through one-to-one meetings with Executive Directors, particularly after the publication of interim and full year results, as well as ad-hoc meetings and conference calls.

Private shareholders are encouraged to attend the Annual General Meeting at which the Group's activities are considered and questions answered. Any material presented (including the results of shareholder votes) is uploaded to the Group's website where it is available to all shareholders. The Group's website has a dedicated investor page which contains the latest information including the most recent results.

### Other Stakeholders

The Board believes that other than shareholders, the Group's key stakeholders are the Group's staff and its corporate clients from which it generates revenue. Given the size of the Group, all matters relating to staff and corporate clients are dealt with at Board level.

Employees are also encouraged to openly provide feedback on a regular basis to all other members of staff (regardless of seniority and tenure) through a performance management principle known as 'radical candour' and by utilising internal communication platforms throughout the Group. Seeking and providing feedback to others is a key part of the Alpha culture, and as a result feedback is habitually sought from clients, suppliers and counterparties in order to ensure the Group is continually improving the quality of its service and relationships.

### Annual General Meeting

The Group's Annual General Meeting (AGM) will take place at 9:30am on 6 May 2020. The Notice of AGM and explanatory notes on all resolutions are provided alongside all copies of the annual report mailed to shareholders. Digital copies are also available to view via the Group's website.

### Business Culture, Behaviours and Ethics

The Group operates in the highly competitive foreign exchange industry. It is Alpha's belief that its success comes from its culture and long-term focused strategy.

As a founder-led business, the Group has always hired within its image attracting and retaining people who share the Alpha culture. As it continues to scale, the Group sees retaining its culture as key to maintaining its high performance and delivering on its objectives, strategy and business model.

In light of this, the Group has established an Employee Engagement team, led by CEO Morgan Tillbrook, which is responsible for defining, embedding and reinforcing the Alpha culture and ensuring it evolves in the right way as the company expands. As part of this, the Group has a clearly defined vision, mission and purpose along with five key behaviours and a series of business principles. It is our belief that Alpha's unique culture supports the Group's objectives, strategy and business model.

The Group is committed to ensuring that Alpha operates according to the highest ethical standards for which the Board has primary responsibility. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people. The Directors have responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity and undertakes reviews of its employees regularly. In addition, the Group has a formal Bribery and Anti-Corruption Policy and a Share Dealing Code.

## Our Behaviours

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Our behaviours are what make us Alpha - continuous actions that drive our culture and performance.

They set the tone for our culture and are not just words on a page, they are part of our DNA. These behaviours underpin everything we do and are reflected in the day-to-day activity of the company, they are part of our vocabulary (an 'Alpha language') and exhibiting them is referred to as 'Bringing Your A Game'.

Our behaviours provide a lightweight and scalable behavioural framework that sets transparent expectations of what high performance and standards of business conduct look like throughout the business. The result: every team member (regardless of role) can direct their energies in alignment with one another to unlock the full potential of our organisation and deliver on our mission, vision and purpose.

## Act as one

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**Means sharing one mission, one vision and one purpose.**

At Alpha we learn together, grow together and win together. We expect one another to challenge actions inconsistent with our culture and high standards of business conduct, celebrate other people's wins (as well as our own), act fairly, and seek what is best for the company rather than ourselves. Ultimately, it's about remembering our individual success is amplified by the team around us.

## Be humble

---

**Means being a learn-it-all not a know it all.**

We have a saying at Alpha: squash the biggest ego in the room. Success here comes from accepting that we know very little, embracing feedback and finding perspective through humility. We don't let praise get to our heads and we don't let criticism get to our hearts – nobody is the finished article and we look for 'learn-it-all's' not 'know-it-all's'.

## Seek reality

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**Means we see the world as it is.**

We think critically, independently and freely, and never shy away from the truth. Our people open their mind and consider multiple perspectives to get closer to reality. We ask the hardest questions to find the best insights, and avoid group think and confirmation bias by seeking opinions that are contrary to our own. Debate isn't just encouraged at Alpha, it's inevitable.

## Make moves

---

**Means we do the meaningful things that make the biggest difference.**

Whether it's helping a client solve a problem, unlocking efficiencies in the business or even bringing someone up who's on a low, we never let opportunities pass us by or overlook a problem. We get the job done and are accountable for making the right things happen.

## Expect more

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**Means we're always striving to raise the bar.**

We're comfortable with being uncomfortable, because that's how we grow. By reflecting on our journey, being self-critical about our performance and using any setback as an opportunity for a comeback, we continually re-evaluate what it means to be successful and raise the bar even higher.

## Corporate Social Responsibility

We remain committed to providing equal opportunities and diversity in the workplace, by recruiting and promoting staff based on their experience, skills and attitude. We therefore do not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender or any other criteria.

We believe gender diversity within the foreign exchange industry has considerable room for improvement. We are therefore focused on working with our recruitment partners to improve this trend, and in 2019 the percentage of women within the business increased from 18% to 25%.

We take seriously our responsibility to provide a safe and healthy working environment. The Group complies with health and safety legislation including conducting regular inspections and risk assessments.

We are committed to minimising the impact our operations have on the environment. Recycling of office supplies is undertaken where possible and the Group has adopted a largely paperless marketing model. When designing our new HQ, we made the conscious decision to prioritise more sustainable materials over cheaper but more harmful, non-renewable alternatives.



“ One of the key differentials we perceived Alpha as being able to provide over other brokers was their portal. Developed in house and with resource dedicated to continue development bespoke to Halfords’ requirements, the results to date have been outstanding.

Every request made has been considered and expectations have been constantly exceeded with each update released. Not all brokers are the same and I wouldn’t hesitate in recommending anyone to work with Alpha FX.”

Stuart Harvey  
Head of Tax & Treasury

**halfords**

## Remuneration Committee Report FY 2019

I am pleased to present the 2019 remuneration report, which sets out the remuneration policy and the remuneration paid to the Directors for the year.

Alpha FX Group plc is listed on the Alternative Investment Market (AIM) and, as such, in the interests of transparency, the following disclosures are prepared on a voluntary basis for the Group.

### Remuneration Committee

Details of the Remuneration Committee are provided in the Corporate Governance Statement.

### Remuneration Policy

The Group's policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate those Directors to achieve the Group's objectives without making excessive payments. Remuneration is reviewed each year in light of the Group's business objectives. It is the Remuneration Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholder's interests over the medium-term. Remuneration consists of basic salary, performance-related bonus, long-term incentive plan and pension contributions.

Performance-related bonuses are based on achievement of the Group's budget for both revenue and profit. Revenue and profit growth are key KPI's for the Group. The Committee ensures that the balance between fixed and variable remuneration helps to ensure objectives are aligned. The Committee believes that the dual focus on revenue and profit performance is integral to ensuring delivery of shareholder value.

### Executive Directors' service contracts

	REQUIRED WRITTEN NOTICE BY BOTH THE COMPANY AND INDIVIDUALS
<b>Executive Director</b>	
Morgan Tillbrook	12 months
Henry Lisney	6 months
Tim Kidd	6 months

### Non- Executive Directors service contracts

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Appointment letters are intended to be for a two-year term. No compensation is payable in the event of a Non-Executive not being re-elected. The Board determines the terms and conditions of the Non-Executive Directors.

### Directors' remuneration

The following table summarises the total gross remuneration of the Directors who served in the year ended 31 December 2019.

YEAR ENDED 31 DECEMBER 2019	BASIC SALARY/FEE £	BONUS* £	PENSION £	SHARE-BASED PAYMENT	OTHER £	TOTAL £
<b>Executive</b>						
Morgan Tillbrook	275,000	125,000	1,188	-	1,563	402,752
Tim Kidd	140,000	75,000	-	7,191	1,046	223,237
Henry Lisney	225,000	125,000	-	-	399	350,399
<b>Non-executive</b>						
Clive Kahn	30,000	-	-	-	-	30,000
Lisa Gordon	45,000	-	-	-	417	45,417
Matthew Knowles**	45,000	-	707	-	-	45,707

\*The bonus paid to the executive directors in the year represents 71.4% of the maximum potential bonus payable, based on the Group's achievement against key performance indicators.

\*\*The salary/fee for Matthew Knowles included £15,000 for consulting advice in the year.

YEAR ENDED 31 DECEMBER 2018	BASIC SALARY/FEE £	BONUS £	PENSION £	SHARE-BASED PAYMENT	OTHER £	TOTAL £
<b>Executive</b>						
Morgan Tillbrook	250,000	62,500	703	-	1,516	314,719
Tim Kidd	120,000	60,000	-	14,808	-	194,202
Henry Lisney (appointed 21 March 2018)	93,636	96,154	-	-	-	189,789
<b>Non-executive</b>						
Clive Kahn	30,000	-	-	-	-	30,000
Lisa Gordon	45,000	-	-	27,462	-	72,462
Matthew Knowles (appointed 22 October 2018)	5,000	-	80	-	-	5,080

The highest paid Director was paid £402,752 during the year (2018: £314,917). The average wage within the Group for the year ending 31 December 2019 was £104,235 (2018: £87,020).

## Remuneration Committee Report [cont.]

### Directors' shareholding and share interests

The following table summarises the shareholding and share interests of the Directors at 31 December 2019.

AS AT 31 DECEMBER 2019	BENEFICIALLY OWNED	UNAPPROVED SHARE OPTION	GROWTH SHARE SCHEME	TOTAL
<b>Executive</b>				
Morgan Tillbrook	9,748,220	-	-	9,748,220
Tim Kidd	172,869	-	83,139	256,008
Henry Lisney	1,125,539	-	-	1,125,539
<b>Non-executive</b>				
Clive Kahn	397,361	-	-	397,361
Lisa Gordon	-	57,297	-	57,297
Matthew Knowles	-	-	-	-

Details of the Growth Share Scheme and the unapproved share option are included in Note 25 of the Consolidated Financial Statements.

No shares were sold by any of the Directors in the year.

A resolution to accept the Report of the Remuneration Committee will be put to shareholders at the Annual General Meeting and the Committee will conduct a full annual review of the policy.

**Lisa Gordon**  
Chair of the Remuneration Committee

## Audit Committee report FY 2019

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2019.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

The Audit Committee met twice for scheduled meetings during the year and also held meetings, independent of management, with BDO LLP, the Company's external auditors.

### Members of the audit committee

Details of the Audit Committee membership are provided in the Corporate Governance Statement.

### Duties

The main items of business considered by the Audit Committee during the year included:

- Review of the 2019 audit plan and audit engagement letter;
- Reviewing the effectiveness of the external audit process;
- Monitoring the integrity of the financial statements and Annual Report;
- Going concern review;
- Review of the risk management and internal control systems;
- Review the Group's ICAAP and risk framework;
- Meeting with the external auditor without management present; and
- Consideration of regulatory developments and their impact.

The Chair of the Audit Committee consults with all members prior to the meeting to ensure all matters arising are raised and discussed openly.

The full terms of reference of the Committee comply with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code") and are available on the Group's website or from the Company Secretary at the registered office address.

**Role of the external auditor**

The external auditor, BDO LLP, were re-appointed in the financial year to 31 December 2017, following a formal tender process. The Audit Committee monitors the relationship to ensure that auditor independence and objectivity are maintained. The Committee will keep under review the need for external tender.

The breakdown of fees between audit and non-audit services is provided in Note 5 of the Group's financial statements.

Having reviewed the auditor's independence and performance, the Audit Committee recommends that BDO LLP be reappointed as the Group's auditor at the next AGM

**Audit process**

The auditor prepares a plan for the audit of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion.

**Internal Audit**

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

**Risk Management and Internal Controls**

As described on page 47 of the corporate governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the period, the Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

**Whistleblowing**

The Group has in place a whistleblowing policy which enables employees of the Group to confidentially report matters of concern.

**Our priorities for the year ahead**

During 2020, the Committee will continue to focus on:

- Reviewing the Group's ICAAP and risk framework
- Assessing the resilience of the technology infrastructure
- Considering the implications of Brexit including any change to the regulatory environment, business practices and risk profile of the Group.

**Lisa Gordon**

Chair of the Audit Committee

## Directors' Report

### FY 2019

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2019.

The corporate governance statement on page 60 also forms part of this Directors' report.

**Business Review**

An analysis of the Group's development (including likely future developments) and performance is contained in the Chairman's Statement, CEO Statement and Our Strategy. Information on the financial risk management strategy of the Group and its exposure to its principal risks & uncertainties section of the report is on pages 47-55.

**Principal Activity**

Alpha FX Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Brunel Building, 2 Canalside Walk, London W2 1DG. The registered company number is 07262416. A list of the Company's subsidiaries is presented in note 14.

The Company's principal activity is the provision of foreign exchange services for corporates and institutions exposed to currency market volatility. Activities range from initial design and implementation of hedging strategies, to ongoing management and monitoring of currency risks.

**Results and Dividend**

The Group's results for the year are shown in the statement of comprehensive income on page 86. Details of both the interim and final dividend for the year are included on page 41.

**Directors**

The Directors of the Company during the year were:

<i>Executive</i>	<i>Non-Executive</i>
Morgan Tillbrook	Clive Kahn
Tim Kidd	Lisa Gordon
Henry Lisney	Matthew Knowles

Biographical details, along with committee responsibilities are provided on pages 57-59.

**Directors' Interests**

The Directors' interests in the Group's shares and options over ordinary shares are shown in the remuneration report on page 74.

**Political Donations**

The Group has not made in the past, nor does it intend to make in the future, any political donations.

**Events after the reporting period**

On 17 March 2020 the Company determined that following the vesting of shares under the Growth Share Schemes for the year ended 31 December 2019, it would be issuing 822,873 shares on or around 31 March 2020. Details are provided in note 27 to the financial statements.

**Financial Instruments**

The financial risk management objectives of the Group, including credit risk, market risk, liquidity risk, interest rate risk and currency risk, are provided in note 16 to the Consolidated Financial Statements on pages 108 to 109.

**Share Capital Structure**

Details of changes in the Group's share capital are disclosed in note 20 of the consolidated financial statement.

**Share Options Schemes**

Details of employee share schemes are set out in note 25 to the Consolidated Financial Statements.

**Going Concern**

The Directors believe the Group is in a strong financial position due to its profitable operations and strong cash generation, and therefore that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Research and Development**

The Company has a continuous programme of development expenditure as part of its focus on evolving its service offering through technological innovation. Capitalised internal development expenditure is disclosed in note 11 of the accounts. All other development expenditure is recognised in the Statement of Comprehensive income.

**Future developments****Auditor and disclosure of information to auditor**

BDO LLP were appointed as auditors on 7 December 2016 and are continuing in office. In accordance with s489(4) of the Companies Act 2006 a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all reasonable steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of this information.

**Annual General Meeting**

The Annual General Meeting will be held at 9.30am on 6 May 2020 at the offices of Bird & Bird, 12 New Fetter Lane, London EC4A 1JP. The Notice of Annual General Meeting and the ordinary and special resolutions to be put to the meeting are included at the end of this Annual Report and financial statements.

**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 Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the Group and the Company for the period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of 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.

**Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the board

**T K Kidd**

Company Secretary

17 March 2020

## Independent auditor's report to the members of Alpha FX Group plc

### Opinion

We have audited the financial statements of Alpha FX Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, notes to the consolidated financial statements, the company statement of financial position, the company statement of changes in equity and notes to the company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 as applied to listed entities, 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT
<p><b>1. Existence and accuracy of revenue</b></p> <p>The Group's revenue recognition policy is included with the accounting policies in note 2.</p> <p>The risk in Alpha FX Group plc revolves around the existence and accuracy of revenue recorded in the year, specifically concerning both trade and adjustment profit amounts. Existence refers to the risk that trades did not occur or were overstated, accuracy refers to the risk that calculations identifying the revenue amounts to record contain errors.</p> <p>The Group's reported revenue drives the level of sales commissions payable to front office staff and is a key metric in the Group's Growth Share Scheme used to incentivise directors, key Management and certain staff, and as such we consider this to be a key audit matter.</p>	<p>We reviewed the revenue recognition policy applied to each of the Group's revenue streams and considered its compliance with IFRS15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' with a specific focus on existence and measurement of revenue.</p> <p>We have tested controls over existence and accuracy of revenue for operating effectiveness throughout the year.</p> <p>We tested a sample of revenue transactions for each material revenue stream to verify the existence and accuracy of revenue with reference to underlying supporting trade tickets and third party information recorded with the banking counterparty. We have also performed re-calculations of the revenue based on trade tickets, third party information recorded with banking counterparties and external exchange rates.</p> <p>The Group entered into material long dated open window forwards during the year. We have performed detailed revenue recognition testing procedures challenging management on revenue recognition in relation to forward-points revenue recognised.</p> <p><i>Key observations:</i></p> <p>Based on our testing we consider the recognition of revenue to be appropriate and in line with the requirements of the accounting standards.</p>

## KEY AUDIT MATTER

## HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

**2. Fair value of open trades at year-end**

Alpha FX Group plc holds a large open forward book of trades not yet settled at year end. Under accounting standards any open derivative positions at year end are required to be held at fair value. The gain or loss on these forward trades is taken to the income statement with a corresponding financial asset or liability held on the balance sheet.

At each reporting date management spend significant amount of time to reassess the fair value of open trades, which includes adjusting the carrying value of the forward book with reference to their mark to market forward rates as well as an assessment of the credit worthiness of their counterparties.

Management are required to exercise a significant level of judgement in their assessment of the credit worthiness of their counterparties and their probability of default. This presents a significant risk of material misstatement in the completeness and accuracy of the credit valuation adjustment. During the year Alpha have implemented a new risk rating policy in addition to a new Credit valuation adjustment (CVA) methodology which represents additional complexity. We have therefore identified fair value of open trades at year-end as a key audit matter.

The Group's fair value policy is included with the accounting policies note 2 and the significant judgments in relation to Credit valuation adjustment is set out in note 3.

We reviewed the fair value policy applied to the open positions at year-end and considered its compliance with IFRS 13 'Fair Value Measurement'.

In response to the changes implemented by management through a new risk rating process and the new CVA methodology, we have:

- Engaged our internal valuation experts to review the new risk rating process and CVA methodology for reasonableness and compliance to IFRS.
- We reviewed the memorandum received from the valuation experts and performed a Gap Analysis. We have discussed with management the gaps identified and corroborated management explanations with supporting evidence.
- Management have adopted the proposed changes and implemented them for the year end 31 December 2019.

We then performed credit reviews on a sample basis to confirm that the credit ratings which are a key input into the CVA calculation are accurate and in compliance with the credit risk rating methodology. We checked that the credit ratings at year end were accurate through performing credit reviews and reviewing external information supporting the ratings.

We recalculated the credit valuation adjustment on a sample of trades and compared against Management's own assessment.

We have vouched input data to underlying supporting documentation on a sample basis with specific focus on credit risk rating, MTM rates, currency volatility and probability of default.

We tested a sample of trades within the open forward book at year-end, checking that the mark to market forward rate has been appropriately applied.

*Key observations:*

We concur with the judgments made by management with regards to calculating the fair value of open trades.

## KEY AUDIT MATTER

## HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

**3. Growth Shares**

As well as the existing growth shares and option schemes, the Group has introduced two new growth share schemes in the year for staff across the group which contain both market and performance based vesting conditions. These new schemes are applicable for Alpha FX Limited and Alpha FX Institutional Limited Shares.

The key input is the fair value applied to the new growth shares schemes which is highly subjective and requires use of Management judgment and estimates which inherently creates more audit risk in respect of valuations applied to the schemes.

Accounting for growth shares under IFRS2 Share based payments is complex and this further increases the risk of errors in the financial statements.

See Note 2 on accounting policy on Share based payments and note 25 for additional disclosures.

We have therefore identified growth shares as a key audit matter.

We have engaged with BDO Valuations specialist to review the appropriateness of the fair value calculation methodology and model used. The BDO valuation experts have recalculated the fair value of the growth shares and compared inputs used by management's experts to independently sourced information. Differences were discussed with management and agreed to supporting documentation where appropriate.

The audit team has reviewed and assessed the reasonableness of Management's assumptions related to profit after tax, underlying profit after tax and dividends projections which are the key inputs into the IFRS 2 valuation calculations. We have challenged management's assumptions and corroborated these assumptions to supporting documentation.

*Key observations:*

Based on our testing we consider that the fair value of the growth shares are appropriate and in line with the requirements of the accounting standards.

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceeded materiality, we use a lower level, "performance materiality", to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for the Group financial statements as a whole was set at £720,000 (2018: £500,000). Group materiality was determined with reference to 5% (2018:5%) of the Group's profit before tax consistent with prior year. Profit before tax is considered the most appropriate measure in assessing the performance of the Group given the markets focus on this as a key performance measure. Performance materiality was set at 65% (2018: 65%) of materiality at £460,000 (2018: £325,000) of the Group materiality level.

The materiality for the parent company financial statement was set at £680,000 (2018: £450,000). Parent company materiality was capped at 95% of the value of the Group materiality, being £680,000. Performance materiality for the parent company was set at 65% (2018:65%) of materiality at £440,000 (2018: £325,000).

In relation to components within the Group, component materiality was set between £170,000 and £680,000. In 2018 component materiality range was between £66,000 and £430,000.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £28,000. We also agreed to report differences below Clearly Trivial threshold that, in our view, warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

The Group comprises the parent company and three trading subsidiaries (2018: Three), Alpha FX limited, Alpha FX Institutional Limited and Alpha Foreign Exchange (Canada) Limited. Alpha FX Limited and Alpha FX Institutional Limited have been determined to be significant components, a full scope audit of the parent company and UK subsidiaries was performed by BDO LLP.

We determined that the Canadian subsidiary was not a significant component for the audit and BDO LLP performed specific audit procedures on material financial statements areas related to revenue and expenses. As a result of our audit approach above, we achieved coverage of 100% of the Group's net assets, revenue and profit before tax.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report 2019, 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**

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, 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 Statement of Directors Responsibilities set out on page 79, 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 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: [www.frc.org.uk/auditorsresponsibilities](http://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Neil Fung-On (Senior Statutory Auditor)

For and on behalf of:

**BDO LLP, Statutory Auditor**

London, United Kingdom

17 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## Consolidated Statement of Comprehensive Income For the year ended 31 December 2019

	NOTE	YEAR ENDED 31 DECEMBER 2019 £	YEAR ENDED 31 DECEMBER 2018 £
<b>Revenue</b>		35,378,200	23,474,709
Operating expenses	5	(21,698,615)	(13,781,984)
<b>Underlying operating profit</b>		14,734,984	10,004,589
Cost associated with the IPO		(558,378)	-
Share-based payments		(497,021)	(311,864)
<b>Operating profit</b>	5	13,679,585	9,692,725
Finance income	6	81,467	39,054
Finance expenses	6	(215,789)	-
<b>Profit before taxation</b>		13,545,263	9,731,779
Taxation	8	(2,525,394)	(1,911,082)
<b>Profit for the year</b>		11,019,869	7,820,697
Other comprehensive income:			
Currency translation differences arising from consolidation		(3,133)	10,087
<b>Total comprehensive income for the year</b>		11,016,736	7,830,784
Profit for the year attributable to:			
Equity owners of the parent		10,257,023	7,402,768
Non-controlling interests		759,713	428,016
		<b>11,016,736</b>	<b>7,830,784</b>
Earnings per share attributable to equity owners of the parent (pence per share)			
- basic	9	27.7p	21.8p
- diluted	9	26.9p	21.3p
- <i>underlying basic</i>	9	30.1p	22.7p
- <i>underlying diluted</i>	9	29.2p	22.1p

## Consolidated Statement of Financial Position For the year ended 31 December 2019

	NOTE	YEAR ENDED 31 DECEMBER 2019 £	YEAR ENDED 31 DECEMBER 2018 £
<b>Non-current assets</b>			
Intangible assets	11	1,182,089	437,488
Property, plant and equipment	12	2,279,503	172,851
Right-of-use assets	13	7,750,425	-
<b>Total non-current assets</b>		<b>11,212,017</b>	<b>610,339</b>
<b>Current assets</b>			
Trade and other receivables	18	45,452,687	34,462,611
Cash and cash equivalents	19	73,960,407	38,396,301
Other cash balances	19	3,866,514	2,562,538
Total current assets		123,279,608	75,421,450
<b>Total assets</b>		<b>134,491,625</b>	<b>76,031,789</b>
<b>Equity</b>			
Share capital	20	74,248	73,092
Share premium account	20	31,387,853	31,387,853
Capital redemption reserve	20	3,701	3,701
Merger reserve	20	666,529	666,529
Retained earnings		22,932,520	15,002,646
Translation reserve		6,954	10,087
<b>Equity attributable to equity holders of the parent</b>		<b>55,071,805</b>	<b>47,143,908</b>
Non-controlling interests	21	2,499,392	1,562,422
<b>Total equity</b>		<b>57,571,197</b>	<b>48,706,330</b>
<b>Current liabilities</b>			
Trade and other payables	22	68,056,068	26,052,174
Current tax liability		837,341	1,028,498
Provisions	23	95,603	43,350
<b>Total current liabilities</b>		<b>68,989,012</b>	<b>27,124,022</b>
<b>Non-current liabilities</b>			
Deferred tax liability	8	293,617	45,724
Lease liability	13	7,637,799	-
Provisions	23	-	155,713
<b>Total non-current liabilities</b>		<b>7,931,416</b>	<b>201,437</b>
<b>Total equity and liabilities</b>		<b>134,491,625</b>	<b>76,031,789</b>

The consolidated financial statements of Alpha FX Group PLC were approved by the Board of Directors on 17 March 2020 and signed on its behalf by:

Morgan Tillbrook  
Director

T K Kidd  
Director

## Consolidated Cash Flow Statement For the year ended 31 December 2019

	NOTE	YEAR ENDED 31 DECEMBER 2019 £	YEAR ENDED 31 DECEMBER 2018 £
<b>Cash flows from operating activities</b>			
Profit before taxation		13,545,263	9,731,779
Net finance expense/(income)	6	134,322	(39,054)
Amortisation of intangible assets	11	248,340	108,492
Depreciation of property, plant and equipment	12	203,551	65,810
Depreciation of right-of-use assets		485,171	-
Loss on disposal of fixed assets	12	46,645	63,259
Share-based payment expense		442,764	296,072
Provision (utilised)/charged in year	23	(103,460)	9,063
Decrease/(increase) in other receivables		236,180	(210,612)
Increase in other payables		32,145,626	8,670,508
(Increase) in derivative financial assets		(9,814,747)	(16,174,082)
Increase in derivative financial liabilities		9,565,500	8,551,155
(Increase) in other cash balances		(1,303,976)	(991,063)
<b>Cash inflows from operating activities</b>		<b>45,831,179</b>	<b>10,081,327</b>
Tax paid		(2,468,658)	(1,552,133)
<b>Net cash inflows from operating activities</b>		<b>43,362,521</b>	<b>8,529,194</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	12	(2,364,874)	(104,895)
Payments to acquire right-of-use assets		(164,835)	-
Proceeds from the sale of property, plant and equipment		8,026	-
Expenditure on internally developed intangible assets	11	(992,941)	(421,260)
<b>Net cash outflows from investing activities</b>		<b>(3,514,624)</b>	<b>(526,155)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to equity owners of the Parent Company		(2,524,358)	(1,766,350)
Dividends paid to non-controlling interests		(1,088,325)	(119,000)
Issue of ordinary shares by Parent Company		-	19,955,332
Share issue costs		-	(798,993)
Issue of ordinary shares by subsidiary		175	-
Payment of lease liabilities		(355,986)	-
Net interest received		81,470	39,054
Purchase of non-controlling interest for cash		(393,634)	-
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(4,280,658)</b>	<b>17,310,043</b>
<b>Increase in net cash and cash equivalents in the year</b>		<b>35,567,239</b>	<b>25,313,082</b>
Net cash and cash equivalents at beginning of year		38,396,301	13,073,132
Foreign currency movements		(3,133)	10,087
<b>Net cash and cash equivalents at end of year</b>	19	<b>73,960,407</b>	<b>38,396,301</b>

## Consolidated Statement of Changes in Equity For the year ended 31 December 2019

	ATTRIBUTABLE TO THE OWNERS OF THE PARENT								
	SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	CAPITAL REDEMPTION RESERVE £	MERGER RESERVE £	RETAINED EARNINGS £	TRANS- LATION RESERVE £	TOTAL £	NON- CONTROLLING INTERESTS £	TOTAL £
<b>Balance at 1 January 2018</b>	<b>65,524</b>	<b>12,237,951</b>	<b>3,701</b>	<b>666,529</b>	<b>9,081,374</b>	<b>-</b>	<b>22,055,079</b>	<b>-</b>	<b>22,055,079</b>
Profit for the year	-	-	-	-	7,392,681	10,087	7,402,768	428,016	7,830,784
<i>Transactions with owners</i>									
Shares issued on vesting of share option scheme	1,131	-	-	-	(1,131)	-	-	-	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	1,253,406	1,253,406
Share-based payments	-	-	-	-	296,072	-	296,072	-	296,072
Shares issued on placing	6,437	19,948,895	-	-	-	-	19,955,332	-	19,955,332
Cost of shares issued on placing	-	(798,993)	-	-	-	-	(798,993)	-	(798,993)
Dividends paid	-	-	-	-	(1,766,350)	-	(1,766,350)	(119,000)	(1,885,350)
<b>Balance at 31 December 2018</b>	<b>73,092</b>	<b>31,387,853</b>	<b>3,701</b>	<b>666,529</b>	<b>15,002,646</b>	<b>10,087</b>	<b>47,143,908</b>	<b>1,562,422</b>	<b>48,706,330</b>
Profit for the year	-	-	-	-	10,260,156	-	10,260,156	759,713	11,019,869
Other comprehensive income	-	-	-	-	-	(3,133)	(3,133)	-	(3,133)
<i>Transactions with owners</i>									
Shares issued on vesting of share option scheme	1,156	-	-	-	(1,156)	-	-	-	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	1,426,300	1,426,300
Shares repurchased from non-controlling interests	-	-	-	-	(247,532)	-	(247,532)	(146,102)	(393,634)
Forfeiture of shares in subsidiary	-	-	-	-	-	-	-	(14,616)	(14,616)
Share-based payments	-	-	-	-	442,764	-	442,764	-	442,764
Dividends paid	-	-	-	-	(2,524,358)	-	(2,524,358)	(1,088,325)	(3,612,683)
<b>Balance at 31 December 2019</b>	<b>74,248</b>	<b>31,387,853</b>	<b>3,701</b>	<b>666,529</b>	<b>22,932,520</b>	<b>6,954</b>	<b>55,071,805</b>	<b>2,499,392</b>	<b>57,571,197</b>

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2019

### 1. GENERAL INFORMATION

Alpha FX Group plc, (the 'Company') is a public limited company having listed its shares on AIM, a market operated by The London Stock Exchange, on 7 April 2017. The Company is incorporated and domiciled in the UK (registered number 07262416) and its registered office is Brunel Building, 2 Canalside Walk, London, W2 1DG. The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings, Alpha FX Limited, Alpha FX Institutional Limited and Alpha Foreign Exchange (Canada) Limited.

The Group's principal activity is the provision of foreign exchange services for corporates and institutions exposed to currency market volatility. Activities range from initial design and implementation of hedging strategies, on-going management and monitoring of currency risks and the provision of technology solutions.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board as adopted by the European Union and interpretations ("Collectively IFRSs").

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Group are set out below. The consolidated financial statements are presented in Pounds Sterling ("£") which is also the Group's functional currency. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and have been applied consistently throughout all periods presented, unless otherwise stated.

The preparation of consolidated 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 consolidated financial statements are disclosed in note 3.

The consolidated financial statements are prepared on the historical cost basis except for the measurement of certain financial instruments.

#### a. *New standards, interpretations and amendments effective from 1 January 2019*

##### IFRS 16 Leases (IFRS 16)

On 1 January 2019 the Group adopted IFRS 16. Details of the impact this standard are provided in the accounting policy for Leases below.

##### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019 and requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to consider if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group does not believe that it is impacted by IFRIC 23 and therefore opening retained earnings remain unaffected.

#### b. *New standards, interpretations and amendments not yet effective*

There are currently none that impact the Group.

#### Basis of consolidation

##### i. Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

##### ii. Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information.

##### iii. Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. In accordance with IFRS 10, the Group recognises any non-controlling interest at the non-controlling interest's proportionate share of the acquiree's net assets on a transaction by transaction basis.

The Group treats transactions with the non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interests the difference between the fair value of consideration paid and the relevant share of net assets acquired is recorded in equity.

## 2. ACCOUNTING POLICIES [CONT.]

### Segment reporting

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker and for which discrete information is available.

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments is identified as the Group's Chief Executive Officer, Chief Operating Officer and Chief Finance Officer.

### Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the approval date of the consolidated financial statements. For these reasons, they continue to adopt the going concern basis in preparing the Group's financial statements.

### Revenue

Spot and forward revenue is recognised when a binding contract is entered into by a client and the rate is fixed and determined. Revenue represents the difference between the rate offered to clients and the rate the Group receives from its banking counterparties.

Options revenue is recognised when a binding contract is entered into by a client and the revenue is fixed and determined. Revenue represents the difference between the premiums offered to clients and the premium the Group receives from its banking counterparties.

When the Group enters into a contract with a client, it immediately enters into a separate matched contract with its banking counterparty.

Alpha Payment Solutions provide payment and collection services and receive revenue from both Account Fees and Spot FX Transactions. Account Fees include (but are not limited to) electronic payments in and out of accounts (e.g. Faster Payments, CHAPS, International payments and collections) and implementation fees.

The Group entered into new contracts in the year to provide payment and collection services. The revenue in relation to these contracts is recognised in line with IFRS 15.

The Group receives revenue on Account Fees based on a billing schedule at the end of each month, as established in our contracts. Billing occurs simultaneously with revenue recognition and as such, revenue is recognised using the output method when the performance obligation is satisfied (when the services are rendered and transferred to the customer).

The output method accurately reflects the transfer of services as the contracts are priced on the basis of the number of transactions provided through the platform and therefore also represents the amount to which the Group will be entitled based on its performance to date.

### Foreign currency translation

The Group's consolidated historical financial statements are presented in pounds sterling, which is the functional currency of the parent.

### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain, or loss is recognised in other comprehensive income or statement of comprehensive income is also recognised in other comprehensive income or statement of comprehensive income respectively).

### Group companies

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at each period end are translated at the prevailing closing rate at the date of the consolidated statement of financial position.
- Income and expenses for each period within the consolidated statement of comprehensive income are translated at the average rate for the period, and; on consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve as a separate component of equity. On disposal of a foreign operation, the cumulative translation differences are transferred to the consolidated statement of comprehensive income as part of the gain or loss on disposal.

All intragroup transactions, balances, income, expenses and dividends are eliminated on consolidation.

### Financial instruments

#### Financial assets

All financial assets are measured initially at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequently, the Group classifies its financial assets into one of the two categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

#### Fair value through profit or loss.

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

#### Amortised cost

These assets arise principally from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, and where applicable, less provision for impairment.

## 2. ACCOUNTING POLICIES [CONT.]

### *Amortised cost [cont.]*

Impairment provisions for loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Group has considered whether amounts due from loans to related parties are impaired and conclude that there is an immaterial impact on the financial statements.

The Group's financial assets measured at amortised cost comprise other receivables and cash and cash equivalents in the consolidated statement of financial position.

There are no changes to the accounting policies in respects of financial liabilities as a result of the adoption of IFRS 9. These policies are set out in the note below.

The financial instrument accounting policies below are applicable to the prior year comparative figures.

Financial instruments are classified according to the substance of the contractual arrangements into which the Group enters. An equity instrument is a contract that evidences a residual interest in the assets to the entity after deduction all of its financial liabilities.

### Financial liabilities

#### *Classification*

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost including directly attributable transaction costs. The Group has not applied the option to designate any financial liabilities as measured at fair value through profit or loss that were previously measured at amortised cost. The Group's financial liabilities include derivative financial liabilities, trade and other payables, and loans received from shareholders.

#### *De-recognition of liabilities*

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

#### *Offsetting financial instruments*

When there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability immediately, financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position.

### Derivative financial instruments

Derivative financial assets are carried as assets when their fair value is positive and liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the consolidated statement of comprehensive income.

The Group's derivative financial assets and liabilities at fair value through profit or loss comprise of forward foreign exchange contracts and options.

The Group undertakes matched principal broking involving immediate back-to-back derivative transactions with counterparties. These transactions are classified as financial instruments at fair value through profit or loss and are shown gross, except where a netting agreement, which is legally enforceable, exists and the intention is for the asset and liability to be settled net.

The credit valuation adjustment ("CVA") reflects the credit risk of the counterparties inherent in the valuation of the derivative financial instruments. The adjustment represents the estimated fair value of protection required to hedge the counterparty credit risk. The adjustment takes into account counterparty exposure, applicable collateral arrangement and default probability rates.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held at call with banks. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### Other payables

Other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

### **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the inputs into the valuations and the level of the fair value hierarchy as explained above.

### **Taxes**

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

## 2. ACCOUNTING POLICIES [CONT.]

### *Current income tax [cont.]*

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the consolidated statement of comprehensive income.

### *Deferred income tax*

Deferred income tax is provided on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

### **Employee benefits**

#### *Pension obligations*

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the consolidated statement of comprehensive income. Discretionary contributions are occasionally made to Director's defined benefit pension plans.

#### *Share-based payments*

The Group issues equity-settled share-based payments to directors and employees of the Group through the Growth Share Schemes, Approved and Unapproved Options Schemes.

Equity-settled share-based schemes are measured at fair value, excluding the effect of non-market-based vesting conditions, at the date of grant using an appropriate option pricing model. The Growth Shares Schemes have been valued using a Monte Carlo Simulation Approach due to the existence of market-based conditions. Non-market-based conditions exist over revenue-based targets which require management to estimate the probability of meeting these conditions. The Approved and Unapproved Options Schemes have been valued using a Black Scholes option pricing model as only a service-based condition exists. Both schemes require the estimation of appropriate attrition rates to estimate the number of share options which are likely to vest.

The fair value of the shares or share options is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the consolidated statement of comprehensive income.

### **Property, plant and equipment**

#### *Owned assets*

Property, plant and equipment is stated at cost less accumulated depreciation and where applicable, impairment losses.

#### *Depreciation*

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation. The estimated useful lives of property, plant and equipment are as follows:

Improvements to property	-	Period of lease
Fixtures and fittings	-	4 to 5 years straight line
Computer equipment	-	3 years straight line

The residual values and useful lives are reviewed by the Directors and adjusted if appropriate at the end of each reporting period.

### **Intangible assets**

Intangible assets consist of internally developed software. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the development;
- that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development;
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and where applicable, accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use.

Internally developed software costs are amortised over the useful life of the asset on a straight-line basis over 3 years being the period of expected future benefit. Amortisation is recorded in operating expenses in the consolidated statement of comprehensive income.

During the period of development, the asset is tested annually for impairment.

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

### **Leases**

On 1 January 2019 the Group adopted IFRS 16 Leases. As at 1 January 2019 the only leases held by the Group were for a lease term of twelve months or less and accordingly the adoption of IFRS 16 has not required any adjustment to the opening statement of the consolidated financial position at that date. The Group now recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's estimated incremental borrowing rate.

The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis.

## 2. ACCOUNTING POLICIES [CONT.]

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured based on the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

An onerous property provision is recognised and measured as a provision when the Group has a present obligation arising under a property related contract. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. In the process of applying the Group's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the consolidated financial statements:

### Impairment of financial assets

Impairment provisions are recognised under the expected credit loss approach, the amount being the difference between the present value of all contractual cashflows and the present value of expected future cashflows. In order to calculate the present value of the future expected cash flows, management must make an estimate of expected future cash flows and apply an appropriate discount factor, estimated using the latest market information.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive Income.

### Development costs

Development costs that are directly attributable to the development of a project are capitalised based on management's assessment of the likelihood of a successful outcome for each project. This is based on the management's judgement that the project is technologically, commercially and economically feasible in accordance with IAS 38 Intangible Assets. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Details of capitalised development costs are shown in note 11.

### Credit value adjustment

The credit value adjustment has been calculated by management based on the assumption that the Group will be unable to collect all the amounts due under the term's receivable, and therefore, is a method of counterparty credit risk management. The amount of the adjustment represents the difference between the net carrying amount and the value of the future expected cash flows associated with the receivables. In order to calculate expected future cash flows, management make an estimate using the latest real-time market information, risk ratings of the clients and experience.

### Share-based payments

As described in note 2 (share-based payments), equity settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity settled growth shares scheme and unapproved share options are estimated through the use of option valuation models which require an element of judgement in assessing the inputs. Judgement is also exercised in assessing the number of options subjects to non-market vesting conditions that will vest.

## 4. SEGMENTAL REPORTING

During the year the Group principally generated revenue from the sale of forward currency contracts, foreign exchange spot transactions, payments & collections and option contracts.

The Group has four reportable segments, based on the individually reportable subsidiaries and divisions.

The Corporate London segment represents revenue generated by Alpha FX Limited's Corporate clients serviced from the London head office. The Institutional segment represents revenue from Alpha FX Institutional Limited, which primarily services funds. Corporate Toronto represents revenue generated by Alpha Foreign Exchange (Canada) Limited, serviced from Toronto, Canada. Alpha Payment Solutions is a division of Alpha FX Limited which services clients who have the requirement to send, hold or receive money from overseas, in the form of international payments, collections and currency accounts.

The chief operating decision makers, being the Group's Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer, monitor the operating results of the business segments separately each month. Key measures used to evaluate performance are revenue and profit before taxation. Management believe that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

2019	CORPORATE LONDON £	INSTITUTIONAL £	CORPORATE TORONTO £	ALPHA PAYMENT SOLUTIONS £	TOTAL £
Revenue	27,217,318	6,285,611	854,961	1,020,310	35,378,200
Underlying operating profit	12,624,097	3,634,949	(663,944)	(860,118)	14,734,984
Exceptional property related costs*	(555,230)	(3,148)	-	-	(558,378)
Share-based payments	(465,813)	(31,208)	-	-	(497,021)
Finance (income)/ expense	(111,898)	(14,240)	-	(8,184)	(134,322)
<b>Profit before taxation</b>	<b>11,491,156</b>	<b>3,586,353</b>	<b>(663,944)</b>	<b>(868,302)</b>	<b>13,545,263</b>
2018	CORPORATE LONDON £	INSTITUTIONAL £	CORPORATE TORONTO £	ALPHA PAYMENT SOLUTIONS £	TOTAL £
Revenue	20,367,548	3,072,797	34,364	-	23,474,709
Underlying operating profit	9,051,870	1,269,801	(317,082)	-	10,004,589
Exceptional property related costs*	-	-	-	-	-
Share-based payments	(311,864)	-	-	-	(311,864)
Finance (income)/ expense	39,054	-	-	-	39,054
<b>Profit before taxation</b>	<b>8,779,060</b>	<b>1,269,801</b>	<b>(317,082)</b>	<b>-</b>	<b>9,731,779</b>

\*Exceptional items relate to initial double running and move related costs following the signing of a lease for new premises for the Group's Head Office.

## 4. SEGMENTAL REPORTING [CONT.]

## Revenue by product

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Foreign exchange forward transactions	24,849,162	19,863,847
Foreign exchange spot transactions	7,825,598	2,483,000
Option contracts	2,196,566	1,127,862
Payments and collections**	506,874	-
<b>Total</b>	<b>35,378,200</b>	<b>23,474,709</b>

\*\*Payments and collections relate to payment charges only and exclude any related foreign exchange spot transactions.

## Geographical analysis of non-current assets

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
UK	11,192,867	599,299
Canada	19,150	11,040
<b>Total</b>	<b>11,212,017</b>	<b>610,339</b>

During the year the Group earned revenue of £19,916,611 (2018: £16,337,837) from entities in the UK, £2,562,010 (2018: £2,061,667) from entities in Norway, £2,542,055 (2018: £1,606,374) from entities in Cayman Islands, £2,918,961 (2018: £39,348) from entities in Isle of Man, £855,376 (2018: £16,833) from entities in Canada and £6,583,187 (2018: £3,412,650) from entities in other countries. There were no significant transactions between the segments within the year. All revenue is from external customers.

## 5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Lease rentals	1,072,019	713,329
Depreciation of owned property, plant and equipment	203,551	65,810
Amortisation of internally generated intangible assets	248,340	108,492
Depreciation of right-of-use assets	485,171	-
Loss on disposal of fixed assets	46,645	63,259
Staff costs (note 7)	12,803,765	9,091,872
Net foreign exchange (gains)/losses	38,091	(11,521)
Provisions (note 23)	-	203,684
Exceptional property related costs	558,378	-
<i>Audit fees</i>		
Audit fees in respect of the Group and Company financial statements	78,000	35,000
Audit fees in respect of the subsidiary accounts	64,500	52,500
<i>Non-Audit fees</i>		
Other assurance services	3,300	7,200

## 6. FINANCE INCOME AND EXPENSES

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Finance income</b>		
Interest on bank deposits	62,630	37,201
Other interest receivable	18,837	1,853
<b>Total</b>	<b>81,467</b>	<b>39,054</b>

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Finance Cost</b>		
Finance cost on lease liabilities (note 13)	(215,789)	-
<b>Total</b>	<b>(215,789)</b>	<b>-</b>

## 7. EMPLOYEE COSTS

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

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Wages and salaries	10,881,140	7,764,922
Social security costs	1,303,773	970,694
Share-based payment charge	497,021	311,864
Other pension costs	121,831	44,392
<b>Employee benefit expense included in operating profit</b>	<b>12,803,765</b>	<b>9,091,872</b>

The share-based payment charge includes employer's national insurance amounting to £54,257 (2018: £15,792) relating to an unapproved option scheme.

The average number of employees, including the executive directors, was as follows:

	31 DECEMBER 2019 NO.	31 DECEMBER 2018 NO.
Executive Directors	3	3
Sales, administration and support staff	99	64
<b>Total</b>	<b>102</b>	<b>67</b>

## Remuneration of key management personnel

Key management personnel represent those personnel which hold a statutory directorship of a company within the Group, as well as the non-executive directors.

Director's remuneration and benefits include:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Wages and salaries	1,709,553	1,186,748
Social security costs	202,664	163,771
Share-based payments	7,191	41,664
Pension contributions	9,704	2,326
<b>Total</b>	<b>1,929,112</b>	<b>1,394,509</b>

**7. EMPLOYEE COSTS [CONT.]****Remuneration of key management personnel [cont.]**

During 2019 retirement benefits accrued to 6 Directors who are regarded as key management personnel within the Group (2018: 4) in respect of defined contribution pension schemes.

Further information of executive and non-executive directors of the Group, including the highest paid director, is disclosed separately in the Remuneration report.

**8. TAXATION****Tax charge**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Current tax:</b>		
UK Corporation tax charge on the profit for the year	2,399,165	1,960,130
Adjustments relating to prior years	(121,664)	(74,191)
<b>Total current tax</b>	<b>2,277,501</b>	<b>1,885,939</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	242,514	27,309
Adjustments relating to prior years	5,379	(2,166)
<b>Total deferred tax</b>	<b>247,893</b>	<b>25,143</b>
<b>Total tax expense</b>	<b>2,525,394</b>	<b>1,911,082</b>

**Factors affecting tax charge for the year**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Profit on ordinary activities before tax	13,545,263	9,731,779
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19%	2,573,600	1,849,038
Effects of:		
Expenses not deductible for tax purposes	16,692	97,424
Deferred tax relating to share based payments	(74,702)	(19,454)
Adjustments relating to prior years	(121,664)	(74,191)
Adjust closing deferred tax in respect of change in future rate of taxation	5,379	(2,166)
Overseas taxation	126,089	60,431
<b>Total tax charge for the year</b>	<b>2,525,394</b>	<b>1,911,082</b>

**Deferred tax**

The deferred taxation liability is based on the expected future rate of corporation tax of 19% (2018: 17%) and comprises the following:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>(Liabilities)/assets</b>		
At 1 January	45,724	20,581
Tax charge relating to current year	242,514	27,309
Tax (charge)/credit relating to change in future tax rates	5,379	(2,166)
<b>Total deferred tax liability</b>	<b>293,617</b>	<b>45,724</b>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Fixed asset differences	429,935	100,854
Share-based payments	(136,318)	(55,130)
<b>Total deferred tax liability</b>	<b>293,617</b>	<b>45,724</b>

**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent, by the weighted average number of ordinary shares during the year. Diluted earnings per share additionally includes in the calculation, the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares.

The Group additionally discloses an underlying earnings per share calculation that excludes the impact of share-based payments, non-recurring costs and their tax effect, which better enables comparison of financial performance in the current year with comparative years.

	31 DECEMBER 2019	31 DECEMBER 2018
Basic earnings per share	27.7p	21.8p
Diluted earnings per share	26.9p	21.3p
Underlying - basic	30.1p	22.7p
Underlying - diluted	29.2p	22.1p

The calculation of basic and diluted earnings per share is based on the following number of shares:

	31 DECEMBER 2019 NO.	31 DECEMBER 2018 NO.
Basic weighted average shares	36,990,813	33,945,238
Contingently issuable shares	1,093,530	795,913
Diluted weighted average shares	38,084,343	34,741,151

**9. EARNINGS PER SHARE [CONT.]**

The earnings used in the calculation of basic, diluted and underlying earnings per share are set out below:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Profit after tax for the year	11,019,869	7,820,697
Non-controlling interests	(759,713)	(428,016)
Earnings – basic and diluted	10,260,156	7,392,681
Exceptional property related costs	558,378	-
Tax effect	(95,704)	-
Share-based payments	497,921	311,864
Deferred tax asset impact on share-based payments	(81,188)	(15,257)
Earnings - underlying	11,138,663	7,689,288

**10. DIVIDENDS**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Final dividend for the year ended 31 December 2017 of 3.4p per share	-	1,133,130
Interim dividend for the year ended 31 December 2018 of 1.9p per share	-	633,220
Final dividend for the year ended 31 December 2018 of 4.6p per share	1,707,631	-
Interim dividend for the year ended 31 December 2019 of 2.2p per share	816,727	-
	2,524,358	1,766,350

All dividends paid are in respect of the ordinary shares of £0.002 each.

The Directors propose that a final dividend in respect of the year ended 31 December 2019 of 5.4p per share amounting to £2,004,694 will be paid on 13 May 2020 to all shareholders on the register of members on 14 April 2020. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements in accordance with IAS 10 'Event after the reporting period'.

A reconciliation of the movements in share capital for each year is included in note 20.

**11. INTANGIBLE ASSETS**

	INTERNALLY GENERATED SOFTWARE £
<b>Cost</b>	£
At 1 January 2018	153,015
Additions	421,260
<b>At 31 December 2018</b>	574,275
Additions	992,941
<b>At 31 December 2019</b>	1,567,216

**INTERNALLY GENERATED SOFTWARE  
£**

<b>Amortisation</b>	
At 1 January 2018	28,295
Charge for the year	108,492
<b>At 31 December 2018</b>	136,787
Charge for year	248,340
<b>At 31 December 2019</b>	385,127
<b>Net book value</b>	
At 31 December 2018	437,488
<b>At 31 December 2019</b>	1,182,089

**12. PROPERTY, PLANT AND EQUIPMENT**

	LEASEHOLD IMPROVEMENTS £	FIXTURES & FITTINGS £	COMPUTER EQUIPMENT £	TOTAL £
<b>Cost</b>				
At 1 January 2018	-	286,056	104,974	391,030
Additions	-	35,855	69,040	104,895
Disposals	-	(181,201)	-	(181,201)
<b>At 31 December 2018</b>	-	140,710	174,014	314,724
Additions	1,452,501	671,938	240,435	2,364,874
Disposals	-	(92,469)	(4,894)	(97,363)
<b>At 31 December 2019</b>	1,452,501	720,179	409,555	2,582,235
<b>Depreciation</b>				
At 1 January 2018	-	142,500	51,505	194,005
Charge for the year	-	29,301	36,509	65,810
Disposals	-	(117,942)	-	(117,942)
<b>At 31 December 2018</b>	-	53,859	88,014	141,873
Charge for the year	48,633	76,750	78,168	203,551
Disposals	-	(38,214)	(4,478)	(42,692)
<b>At 31 December 2019</b>	48,633	92,395	161,704	302,732
<b>Net book value</b>				
At 31 December 2018	-	86,851	86,000	172,851
<b>At 31 December 2019</b>	1,403,868	627,784	247,851	2,279,503

During the year assets totalling £97,363 (2018: £181,201) were disposed of. The total loss on disposal of fixed assets was £46,645 (2018: £63,259).

### 13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The following table reconciles the minimum lease commitments disclosed in the Annual Report of the Group for the year ended 31 December 2018 to the amount of lease liabilities recognised on 1 January 2019:

	1 JANUARY 2019 £
Minimum operating lease commitment at 31 December 2018	13,153,569
Less: short-term leases not recognised under IFRS 16	(1,016,425)
Less: low value leases not recognised under IFRS 16	(108,659)
Plus: effect of extension options reasonably certain to be exercised	-
Undiscounted lease payments	12,028,485
Less: lease commitments relating to the Brunel building to be recognised upon lease commencement	(12,028,485)
Lease liability as at 1 January 2019	-

#### Right-of-use assets

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
At 1 January	-	-
Additions	8,235,596	-
Depreciation charge for the year	(485,171)	-
<b>At 31 December</b>	<b>7,750,425</b>	<b>-</b>

As explained in the accounting policy for leases in note 2, as at 1 January 2019 the only leases held by the Group were for a lease term of twelve months or less. The adoption of IFRS 16 has not required any adjustment to the opening consolidated statement of financial position at that date.

In May 2019, the Group signed a ten-year lease for the new Head Office premises in London.

The additions above include £164,835 relating to the initial costs directly attributable to the lease.

#### Lease liabilities

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
At 1 January	-	-
Additions	8,070,761	-
Finance cost	215,792	-
Payments in the year	(355,986)	-
<b>At 31 December</b>	<b>7,930,567</b>	<b>-</b>
Analysis:		
Current (note 22)	292,768	-
Non-current	7,637,799	-
	7,930,567	-

The incremental borrowing rate used to discount lease liabilities at initial inception is based on the assessment of management of 4.5%.

### 14. SUBSIDIARIES

The Group's operating subsidiaries as at 31 December 2019 are as follows:

	COUNTRY OF INCORPORATION	PROPORTION OF ORDINARY SHARES HELD
<b>Direct Holding</b>		
Alpha FX Limited	England <sup>1</sup>	100%
<b>Indirect Holding</b>		
Alpha FX Institutional Limited	England <sup>1</sup>	70%
Alpha Foreign Exchange (Canada) Limited	Canada <sup>2</sup>	75%

The principal activity of all subsidiary undertakings is the provision of foreign exchange services. Shares in Alpha FX Institutional Limited and Alpha Foreign Exchange (Canada) Limited are held by Alpha FX Limited. The accounting year-ends of all subsidiaries is 31 December.

In November 2019 Alpha FX Limited increased its shareholding in Alpha FX Institutional Limited from 63.2% to 70.0%.

Registered addresses:

1. Brunel Building, 2 Canalside Walk, London, W2 1DG
2. 2200 HSBC Building, 885 West Georgia Street, Vancouver BC, V6C 3E8

### 15. DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### Derivative financial assets not designated as hedging instruments

	31 DECEMBER 2019		31 DECEMBER 2018	
	FAIR VALUE £	NOTIONAL PRINCIPAL £	FAIR VALUE £	NOTIONAL PRINCIPAL £
Foreign currency forward and option contracts with customers	34,041,209	1,325,798,765	28,649,374	773,013,132
Foreign currency forward and option contracts with banking counterparties	8,045,090	1,549,496,597	4,075,204	273,831,873
Other foreign exchange forward contracts	453,026	15,384,010	-	-
	42,539,325	2,890,679,372	32,724,578	1,046,845,005

Foreign currency forward contracts with customers generally require immediate settlement on the value date of the individual contract.

**15. DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES [CONT.]****Derivative financial assets not designated as hedging instruments**

	31 DECEMBER 2019		31 DECEMBER 2018	
	FAIR VALUE £	NOTIONAL PRINCIPAL £	FAIR VALUE £	NOTIONAL PRINCIPAL £
Foreign currency forward and option contracts with customers	22,199,291	2,636,803,290	12,709,620	719,218,696
Foreign currency forward and option contracts with banking counterparties	82,300	9,101,344	-	-
Other foreign exchange forward contracts	-	-	6,471	3,920,055
	22,281,591	2,645,904,634	12,716,091	723,138,751

**Net gains/(losses) on financial assets at fair value through profit or loss**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Foreign exchange derivatives	(38,091)	11,521
	(38,091)	11,521

Derivatives not designated as hedging instruments are intended to reduce the level of foreign currency risk for expected future cash flows. The tables above show the fair value of those foreign exchange forward contracts as at each year-end.

Forward foreign exchange contracts and options fall into level 2 of the fair value hierarchy as set out in note 2. Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). The fair value of forward foreign exchange contracts is measured using observable forward exchange rates for contracts with a similar maturity at the reporting date. The fair value of option foreign exchange contracts is measured using an industry standard external model that best presents the unpublished interbank valuations.

There were no transfers between level 1 and 2 during the current or prior year. The fair value of all other financial assets and financial liabilities approximate to their carrying value.

**16. FINANCIAL INSTRUMENTS**

The principal financial instruments of the Group, from which financial instrument risk arises, are as follows:

**a) Financial assets per statement of financial position**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Derivatives not designated as hedging instruments</b>		
Foreign currency forward and option contracts with customers	34,041,209	28,649,374
Foreign currency forward and option contracts with banking counterparties	8,045,090	4,075,204
Other foreign exchange forward contracts	453,026	-
<b>Total derivatives not designated as hedging instruments</b>	<b>42,539,325</b>	<b>32,724,578</b>

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Amortised cost assets</b>		
Other receivables excluding prepayments	2,434,006	1,427,331
Cash and cash equivalents	73,960,407	38,396,301
Other cash balances	3,866,514	2,562,538
<b>Total amortised cost assets</b>	<b>80,260,927</b>	<b>42,386,170</b>
<b>Total financial assets</b>	<b>122,800,252</b>	<b>75,110,750</b>

**b) Financial liabilities per statement of financial position**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>Derivatives not designated as hedging instruments</b>		
Foreign currency forward and option contracts with customers	22,199,291	12,709,620
Foreign currency forward and option contracts with banking counterparties	82,300	-
Other foreign exchange forward contracts	-	6,471
<b>Total derivatives not designated as hedging instruments</b>	<b>22,281,591</b>	<b>12,716,091</b>
<b>Other payables measured at amortised cost</b>		
Other payables and accruals	44,397,769	12,506,732
<b>Total other payables</b>	<b>44,397,769</b>	<b>12,506,732</b>
<b>Total financial liabilities</b>	<b>66,679,360</b>	<b>25,222,823</b>

**c) Offsetting financial assets and financial liabilities**

Financial instruments at fair value through profit and loss represent immediate back-to-back derivative transactions with banking counterparties and are reported as separate financial assets and financial liabilities in the consolidated statement of financial position. The transactions are subject to ISDA (International Swaps and Derivatives Association) Master Netting Agreements which provide a legally enforceable right of in the normal course of business, the event of a default and the event of insolvency or bankruptcy.

**AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS**

2019	GROSS FAIR VALUE	VARIATION MARGIN OFFSET	FAIR VALUE OFFSET	NET DERIVATIVE FINANCIAL ASSET/ (LIABILITY) (Note 15)	OTHER CASH BALANCES
Derivative financial assets	55,328,581	-	(12,789,256)	<b>42,539,325</b>	3,866,514
Derivative financial liabilities	(36,197,777)	1,126,930	12,789,256	<b>(22,281,591)</b>	-

**AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS**

2018	GROSS FAIR VALUE	VARIATION MARGIN OFFSET	FAIR VALUE OFFSET	NET DERIVATIVE FINANCIAL ASSET/ (LIABILITY) (Note 15)	OTHER CASH BALANCES
Derivative financial assets	47,831,481	-	(15,106,903)	<b>32,724,578</b>	2,562,538
Derivative financial liabilities	(31,361,581)	3,538,587	15,106,903	<b>(12,716,091)</b>	-

## 17. FINANCIAL RISK MANAGEMENT

### Objectives, policies and processes for managing and the methods used to measure risk

Financial assets principally comprise trade and other receivables, cash and cash equivalents, other cash balances and derivative financial assets. Financial liabilities comprise trade and other payables, shareholder loans and derivative financial liabilities. The main risks arising from financial instruments are credit risk, liquidity risk, market risk, foreign currency risk and interest rate risk each of which are discussed in further detail below.

The Group monitors and mitigates financial risk on a consolidated basis. The Group has implemented a framework to ensure that the Directors have in place risk management practices appropriate to a listed company.

The Group operates under the Three Lines of Defence approach to risk management. This framework is overseen and enforced by the Risk Committee and Board.

- Line 1 is risk management: Primary responsibility for strategy, performance and risk management lies with the Executive Team and the Heads of each department.
- Line 2 is risk oversight: The Risk, Compliance, Finance and Legal Teams provide risk oversight.
- Line 3 is independent assurance: Independent assurance on the effectiveness of the risk management systems. External audits and reviews provide an additional line of defence.

### Credit risk

Credit risk is the risk that one or more customers will not meet their obligations under a financial instrument or customer contract leading to a financial loss.

Where the Group provides credit to customers, this is subject to credit verification checks and an in-depth underwriting process by our Credit Team. The client terms and conditions set out the clients margin terms and requirements to provide collateral which provides further mitigation to the credit exposure. Credit policies are aimed at reducing the impact of losses, deferred terms will only be granted to customers who demonstrate an appropriate payment history and satisfy a creditworthiness assessment. The Group evaluated the concentration of risk as low with respect to derivative financial assets arising from contracts with counterparties. This is due to the fact that no single customer represents a significant proportion of the total value of customer contracts and the business has historically low levels of counterparty default.

Counterparty exposures are monitored in real time. Daily stress tests are carried out to assess and minimise client credit risk exposures under various market volatility scenarios. The Group's maximum exposure to credit risk is illustrated in the financial assets table in note 16.

### Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its financial obligations as they are due. Extensive controls are in place to ensure that liquidity risk is mitigated. The Group's liquidity requirements are reviewed daily, and the Group employs stress testing to model the sufficiency of its liquidity in stressed market scenarios. The ability of clients to pay margin and settle contracts is monitored in real-time, with automated triggers and alerts configured into the Group's systems. The Group maintains cash reserves and continues to increase these reserves relative to its trading activity on an on-going basis.

The Group manages its liquidity on a trade by trade basis, rejecting any trade that has the potential to harm its liquidity and maintains robust margin terms with its clients that require them to deposit margin if their forward contracts adversely deviate in fair value. The Group also attempts to ensure it maintains (as closely as is possible) a balanced position in each currency, with regular stress testing of its net long/short position in a particular currency against sudden and unforeseen market movements ("Black Swan Events").

The Group has sufficient cash resources to pay its debts and contractual liabilities as they fall due. Consequently, management does not believe that the Group has a material exposure to liquidity risk. The table below summarises the maturity profile of the Group's derivative financial liabilities arising from forward currency contracts with customers based on contractual (undiscounted) payments.

### Derivative liabilities - forward currency contracts with customers

2019		TOTAL	0-3 MONTHS	3-6 MONTHS	6-12 MONTHS	12 MONTHS+
Buy currency	Inflow	670,054,099	230,157,752	163,114,597	241,890,182	34,891,568
Sell currency	Outflow	(652,825,351)	(240,503,555)	(140,609,170)	(167,726,085)	(103,986,540)
	<b>Netted</b>	17,228,748	(10,345,803)	22,505,427	74,164,096	(69,094,972)

2018		TOTAL	0-3 MONTHS	3-6 MONTHS	6-12 MONTHS	12 MONTHS+
Buy currency	Inflow	664,337,176	298,028,921	147,472,774	185,401,717	33,433,764
Sell currency	Outflow	(653,934,875)	(269,322,242)	(195,844,129)	(124,115,889)	(64,652,615)
	<b>Netted</b>	10,402,301	28,706,679	(48,371,355)	61,285,828	(31,218,851)

### Derivative liabilities - forward currency contracts with brokers

		TOTAL	0-3 MONTHS	3-6 MONTHS	6-12 MONTHS	12 MONTHS+
2019	Netted	(15,190,931)	10,885,455	(22,396,500)	(74,432,061)	70,752,175
2018	Netted	5,485,479	(23,780,947)	52,157,750	(56,545,924)	33,654,601

The table below summarises the maturity profile of the Group's other financial liabilities based on contractual (undiscounted) payments.

### Other liabilities

AT 31 DECEMBER 2019	TOTAL	ON DEMAND	UP TO 1 YEAR	1-2 YEARS	2-5 YEARS
Other payables and accruals	44,397,769	-	44,397,769	-	-
	44,397,769	-	44,397,769	-	-

AT 31 DECEMBER 2018	TOTAL	ON DEMAND	UP TO 1 YEAR	1-2 YEARS	2-5 YEARS
Other payables and accruals	13,336,083	-	13,336,083	-	-
	13,336,083	-	13,336,083	-	-

### Market risk

Market risk is minimised by the operation of matched derivative transactions, whereby all derivatives sold to customers are matched on a back-to-back basis with an offsetting derivative from a banking counterparty. The Group is only exposed to the net position of its derivative assets and liabilities and this position is collateralised on a daily basis.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities used by the Group. Interest bearing assets comprise cash and cash equivalents which are considered short-term liquid assets. It is the Group's policy to settle derivative financial liabilities arising from contracts with customers (included within trade payables) and other payables within the credit terms allowed and the Group does not therefore incur interest on overdue balances.

**17. FINANCIAL RISK MANAGEMENT [CONT.]****Foreign currency risk**

Foreign currency risk refers to the risk that non-sterling revenue earned on a transaction may fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk on revenue and cash holdings that are denominated in a currency other than sterling. The principal currencies giving rise to this risk vary from period to period depending on the currency of transactions undertaken by the Group. Details of the foreign currency cash balances can be found in note 19.

The Group manages its exposure to currency movements in line with its Treasury Policy. Client money received in a foreign currency is deposited in a bank account of the same currency to provide a natural hedge. The Group reduces its exposure to foreign exchange by retranslating excess cash in foreign currencies into sterling on a regular basis. The Group hedges a proportion of its unrealised profits through foreign exchange contracts designated as fair value through profit and loss.

The Group's policy is to reduce the risk associated with the revenue denominated in foreign currencies by using forward fixed rate currency hedges.

The settlement of these forward foreign exchange contracts is expected to occur within the following twelve months. Changes in the fair values of forward foreign exchange contracts are recognised directly in the consolidated statement of comprehensive income.

**Foreign currency risk – sensitivity analysis**

The Group's principal recurring foreign currency transactions are in Euros and US Dollar. Foreign currency transactions that occur in other currencies including Canadian Dollar and Norwegian Krone, are for shorter periods of time, resulting in minimal risk to the business.

The table below shows the impact on the Group's operating profit and equity, of a 10% change in the exchange rate of the principal currencies, Euro and US Dollar.

Year ended 31 December	IMPACT ON PROFIT AFTER TAX		IMPACT ON EQUITY	
	2019 £	2018 £	2019 £	2018 £
<b>Euro:</b>				
Average rate	1.1397	1.1286	1.1397	1.1286
Closing rate	1.1801	1.1138	1.1801	1.1138
10% weakening in the £/€ exchange rate	823,599	504,388	766,408	459,453
10% strengthening in the £/€ exchange rate	(673,854)	(412,681)	(627,061)	(375,916)
<b>US Dollar:</b>				
Average rate	1.2769	1.3322	1.2769	1.3322
Closing rate	1.3248	1.2736	1.3248	1.2736
10% weakening in the £/\$ exchange rate	859,333	240,384	581,050	160,792
10% strengthening in the £/\$ exchange rate	(703,091)	(196,678)	(475,404)	(131,557)

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement.

**Management of capital**

The Group's objectives when managing capital are to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern.

The Group's policy is to maintain a capital base and funding structure that retains creditor and market confidence, provides flexibility for business development, ensures adherence to regulatory requirements, whilst optimising returns to shareholders.

The entity monitors its total capital as its total equity as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the dividends paid to shareholders.

**18. TRADE AND OTHER RECEIVABLES**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Trade receivables (derivative financial assets – note 15)	42,539,325	32,724,578
Other receivables	2,434,006	1,427,331
Prepayments	479,356	310,702
	45,452,687	34,462,611

Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions (note 15). At 31 December 2019 and 31 December 2018, the receivables are shown net of the Credit Value Adjustment.

**19. CASH**

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

Other cash balances comprise cash held as collateral with banking counterparties for which the Group does not have immediate access.

Cash balances included within derivative financial assets relate to the variation margin called against out of the money trades with banking counterparties.

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Cash and cash equivalents	73,960,407	38,396,301
Variation margin called by counterparties (note 16c)	1,126,930	3,538,587
Other cash balances	3,866,514	2,562,538
<b>Total cash</b>	78,953,851	44,497,426

**19. CASH [CONT.]**

Cash at bank earns interest at floating rates based on daily bank deposit rates and is made up of the following currency balances:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
British Pound	40,818,107	32,342,702
Euro	16,273,123	2,935,909
US Dollar	15,273,194	1,760,861
Norwegian Krone	2,609,018	5,555,546
Other currencies	3,980,409	1,902,408
	78,953,851	44,497,426

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

All changes in financial liabilities arising from financing activities are due to cash flow movements and are shown in the consolidated cash flow statement within cash flow from financing activities.

**20. CAPITAL AND RESERVES****Share capital**

	31 DECEMBER 2019		31 DECEMBER 2018	
	NO.	£	NO.	£
<b>Authorised, issued and fully paid</b>				
Ordinary shares of £0.002 each	37,123,956	74,248	36,545,968	73,092

**Number of shares**

	ORDINARY SHARES
<b>At 1 January 2018</b>	<b>32,761,979</b>
Shares issued on vesting of share option scheme	565,387
Shares issued on placing	3,218,602
<b>At 31 December 2018</b>	<b>36,545,968</b>
Shares issued on vesting of share option scheme	577,988
<b>At 31 December 2019</b>	<b>37,123,956</b>

The following movements of share capital occurred during the year ended 31 December 2019:

On 26 March 2019, the Company issued 576,442 new shares following the vesting of shares under the B Growth Share Scheme.  
On 25 April 2019, the Company issued 1,546 new shares in respect of shares exercised following the initial vesting of shares under the C Growth Share Scheme for the year ended 31 December 2018.

The following movements of share capital occurred during the year ended 31 December 2018:

On 26 March 2018, the Company issued 565,387 new shares following the vesting of shares under the B Growth Share Scheme.  
On 3 October 2018, the Company issued 3,218,602 new shares following a placing.

**Share premium account**

The initial share premium account of £12,237,951 arose in the year ended 31 December 2017 on the issue of new shares on 7 April 2017 upon admission to the London Stock Exchange. In the year ended 31 December 2018 the share premium account increased by £19,149,902 as a result of a placing on 3 October 2018 of £19,948,895, less the directly attributable costs of issuing the new equity, amounting to £798,993.

**Capital redemption reserve**

The reserve of £3,701 arose following the buy-back of shares in prior years.

**Merger reserve**

The merger reserve of £666,529 was created in October 2016 as a result of the share for share exchange with non-controlling interests. The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of non-controlling interests, where the Company has taken advantage of merger relief.

**Retained earnings**

Represents all other net gains and losses and transactions not recognised elsewhere.

**Translation reserve**

The translational reserve of £6,954 represents the foreign exchange differences arising from the translation of the net investment in foreign entities.

**21. NON-CONTROLLING INTERESTS**

Non-controlling interests (NCI's) include the following:

- Alpha Foreign Exchange (Canada) Limited in which the NCI's own 25%.
- Alpha FX Institutional Limited in which the NCI's shareholdings reduced from 36.84% to 30.00% in November 2019.
- During the year the Group announced that it has put in place an employee share ownership incentive scheme for certain individuals employed in the Group's newly formed business division, Alpha Payments Solutions, a division of Alpha FX Limited. A new class of shares ("D Shares") in Alpha FX Limited has been created, with 82% owned by the Group, and the remaining 18% by APS Participants. The 18% share of the results of the division is included within the NCI.

The summarised financial information is before intra-group eliminations.

	ALPHA FX INSTITUTIONAL LIMITED		ALPHA FOREIGN EXCHANGE (CANADA) LIMITED		ALPHA PAYMENTS SOLUTIONS	
	31 DECEMBER 2019 £	31 DECEMBER 2018 £	31 DECEMBER 2019 £	31 DECEMBER 2018 £	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Revenue	6,285,611	3,072,797	854,961	36,113	1,020,310	-
Profit after tax	2,904,582	1,374,901	(663,626)	(319,205)	(713,518)	-
Profit allocated to non-controlling interests	1,054,053	507,530	(165,907)	(79,514)	(128,433)	-
Dividends declared to non-controlling interests	(1,088,325)	(199,000)	-	-	-	-

**21. NON-CONTROLLING INTERESTS [CONT.]**

	ALPHA FX INSTITUTIONAL LIMITED		ALPHA FOREIGN EXCHANGE (CANADA) LIMITED		ALPHA PAYMENTS SOLUTIONS	
	31 DECEMBER 2019 £	31 DECEMBER 2018 £	31 DECEMBER 2019 £	31 DECEMBER 2018 £	31 DECEMBER 2019 £	31 DECEMBER 2018 £
<b>At 31 December</b>						
<i>Assets</i>						
Non-current assets	11,507	18,247	19,150	11,040	-	-
Current assets	3,503,042	1,957,675	38,891	10,398	-	-
<i>Liabilities</i>						
Current liabilities	(1,115,295)	(370,771)	(1,033,865)	(316,773)	(128,433)	-
<b>Net assets/liabilities</b>	<b>2,339,254</b>	<b>1,605,151</b>	<b>(975,824)</b>	<b>(295,335)</b>	<b>(128,433)</b>	<b>-</b>

**22. TRADE AND OTHER PAYABLES**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Trade payables (derivative financial liabilities – note 15)	22,281,591	12,716,091
Other payables	41,873,327	11,412,369
Other taxation and social security	1,083,940	829,351
Lease liability (note 13)	292,768	-
Accruals and deferred income	2,524,442	1,094,363
	68,056,068	26,052,174

Trade payables represent the fair value of derivative financial liabilities arising as a result of matched principal transactions (note 15).

Other payables consist of margin received from clients and client held funds. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost, approximates fair value.

**23. PROVISIONS****Onerous lease provision**

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
At 1 January	199,063	190,000
Increase in provision	-	203,684
Utilised in year	(103,460)	(194,621)
<b>At 31 December</b>	<b>95,603</b>	<b>199,063</b>
<i>Analysis:</i>		
Current	95,603	43,350
Non-current	-	155,713
	95,603	199,063

The onerous lease provision represents the present value of the estimated obligations under a lease where the unavoidable costs of the lease exceed the economic benefit expected to be received from it.

**24. RELATED PARTY TRANSACTIONS**

The Parent Company of the Group is Alpha FX Group plc. Note 14 provides information about the subsidiaries and the holding company. Details of the ultimate controlling party can be found in note 26.

The Group considers its key management personnel to be the Directors of companies within the Group. The compensation of the Directors of the Company, together with their shareholding, is included in the Remuneration Report.

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

The total transaction volume of foreign currency contracts traded by Alpha FX Limited on normal commercial terms, with the following key management personnel within the year was as follows;

- C I Kahn £15,637 (2018: £22,899),
- M J Tillbrook £32,689 (2018: £0),
- A J Hall £7,692 (2018: £0),

None of these contracts were open at the year end.

**25. SHARE-BASED PAYMENTS**

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

**B Growth Share Scheme**

Under the B Growth Share Scheme, selected employees of the Group have been issued with B shares in Alpha FX Limited. The rights attaching to the B shares include a put option which, when exercised, enable the shareholder to convert the B shares into ordinary shares of the Company. The rate of conversion is that the B shares will be regarded as worth a pro rata share of the gain above a specific hurdle set at £25m. The B shares vests in 5 equal annual instalments from 31 December 2017 to 31 December 2021. Vesting requires 30% revenue growth per annum for the first three years and 20% revenue growth per annum in years four and five. Conversion each year is following the publication of the audited financial statements of Alpha FX Limited. The share options granted will not vest if performance conditions are not met.

Providing the vesting conditions have been met, the Company will issue shares in consideration of the B shares based on the average share price of Company over the 60 days prior to the exercise of the put option. The B shares were subscribed for at their nominal value with the employee settling the applicable tax based on the market value at the date of grant.

Under the original terms of the Growth Share Scheme, the B Shares allotted to participants would vest in three equal tranches, occurring annually, starting on 31 December 2017 until 31 December 2019. Vesting would require 30 per cent revenue growth per year, meaning that full vesting would require three-year compound growth of 120 per cent. After consultations with participants in the scheme it was extended to 5 years. However, in line with IFRS2, the charges incurred by Alpha FX Limited are still recognised over the original three-year period, assuming modification had not occurred.

In March 2019, 352 B Growth Shares were exercised in respect of the year ended 31 December 2018 and 576,442 shares in Alpha FX Group plc were issued as consideration. Based on share price of the Company of 1250p at 31 December 2019, it is estimated upon exercise of the put options in respect of the year ended 31 December 2019, the Company will issue 596,341 shares.

The share-based payment charge of the B Growth Shares in the year ended 31 December 2019 was £54,134 (2018: £115,385).

**25. SHARE-BASED PAYMENTS [CONT.]****C Growth Share Scheme**

In October 2018 the Group adopted a C Growth Share Scheme, under which 863 C ordinary shares (“C Shares”) in Alpha FX Limited (the “Company”) were issued to full-time employees of the Group (“C Share Growth Scheme”). The C Shares confer no upfront economic rights to their holders and in particular holders of the C Shares are not entitled to receive dividends, receive notice of, attend, speak or vote at general meetings of the Company and are not entitled rights to participate in any distributions upon a liquidation or capital reduction of the Company.

The C Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Group. The rate of conversion is that the C Shares will be regarded as worth a pro rata share of the share price gain of Alpha FX Group plc above a hurdle price of 550p based upon the market price of Alpha FX Group plc at the time of allotment.

Upon conversion the number of ordinary shares in Alpha FX Group plc, a C Shareholder will receive such number of ordinary shares whose value is equivalent to the Group’s closing share price at the conversion date. Conversion is only permitted to the extent that the C Shares have vested. The C Shares vest in five tranches, occurring annually, starting on 31 December 2018 until 31 December 2022. The first tranche to vest represents ten per cent of the participant’s C Share entitlement and thereafter is equal to 22.5 per cent of the participant’s C Share entitlement over the following four years. A participant may choose to roll each tranche of C Shares into the next year provided that no rollover is permitted after the final vesting date (March 2023). If a participating employee either leaves employment with the Group or commits a performance breach (broadly conduct detrimental to the business and reputation of the Group), the Group is entitled to buy back the relevant C Shares at cost.

In April 2019, 4 C Growth Shares were exercised in respect of the year ended 31 December 2018 and 1,546 shares in Alpha FX Group plc were issued as consideration, whilst 89 C Growth Shares that were available to be exercised were rolled to subsequent years. Based on share price of the Company of 1250p at 31 December 2019, if all C Shareholders exercise the put options in respect of the year ended 31 December 2019 together with those unexercised for the year ended 31 December 2018, it is estimated that the Company will issue 306,647 shares.

The share-based payment charge of the C Growth Shares in the year ended 31 December 2019 was £305,115 (2018: £150,178).

Details of the outstanding shares in Alpha FX Limited in respect of the above schemes are as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	B GROWTH SHARE SCHEME NO.	C GROWTH SHARE SCHEME NO.	B GROWTH SHARE SCHEME NO.	C GROWTH SHARE SCHEME NO.
Outstanding at beginning of year	1,503	863	2,073	-
Granted in the year	-	-	-	863
Exercised in the year	(352)	(4)	(390)	-
Forfeited in the year	(139)	(18)	(180)	-
Outstanding at end of year	1,012	841	1,503	863

The fair value of the Growth Share Schemes was calculated using a Monte-Carlo simulation model. The model considers historical and expected dividends, and the share price volatility of the Group relative to that of its competitors, to predict the share performance.

When determining the grant date fair value of awards, service and non-market performance conditions are not considered. However, the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The inputs used for fair valuing the awards at the date of grant were as follows:

	B GROWTH SHARE SCHEME	C GROWTH SHARE SCHEME
Expected volatility %	25.0%	25.0%
Risk free interest rate %	0.09%	0.75%
Option life (years)	3	5
Starting equity value (£m)	£33.6m	£186.6m

**Save As You Earn (SAYE) scheme**

In December 2018 the Group announced that it had launched a scheme for all employees under which they are granted an option to purchase ordinary shares in the Group under a HMRC-approved SAYE scheme. Options are granted at a 20% discount to the market price of the shares on the day preceding the date of offer and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. At 31 December 2019 options were outstanding over 134,281 shares (31 December 2018 – 140,857 shares). The assumptions used in the measurement of the fair value at grant date of the Sharesave plans are as follows:

Share price at date of grant	578p
Exercise price at date of grant	520p
Expected volatility %	25%
Risk free interest rate %	0.75%
Option life (years)	3
Dividend yield %	0.7%

The share-based payment charge of the SAYE scheme the year ended 31 December 2019 was £52,306 (2018: £31,208).

**Alpha FX Institutional Limited**

In the year ended 31 December 2018, the Group incorporated a new subsidiary undertaking, Alpha FX Institutional Limited which at 31 December 2019 is owned 30.0% by the management team. Commencing three years following incorporation, the individuals will have the option to convert a percentage of their holding into group shares over a four-year period, based upon strict performance criteria. At conversion, and in exchange for converting their shares into the Group, Alpha FX Limited’s shareholding over Alpha FX Institutional Limited will commensurately increase.

Following the continued success of the Institutional Division, the Group adjusted the employee share ownership incentive scheme in November 2019 to include additional key employees and further employees in the future. The existing employee shareholders have agreed with Alpha FX Limited to reduce their shareholding in Alpha FX Institutional Limited to enable equity to be awarded to future and existing employees to support the ongoing growth of the division. The share-based payment charge in the year ended 31 December 2019 in relation to additional shares awarded in November 2019 was £31,208.

## 25. SHARE-BASED PAYMENTS [CONT.]

### Alpha Foreign Exchange (Canada) Limited

On 16 April 2019 the Group announced the share ownership plan for Alpha Foreign Exchange (Canada) Limited which is 25% owned by management. Under the agreement management can exchange 25% of the shares they hold in the subsidiary for new ordinary shares in the Company in each of the financial years ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024. As the shares held by the management in the subsidiary is reduced over time, Alpha FX Limited's shareholding over the subsidiary will commensurately increase.

### Alpha Payment Solutions (APS)

On 20 November 2019 the Group announced that it had put in place an employee share ownership incentive scheme for certain individuals employed in the Group's newly formed business division, Alpha Payments Solutions ("APS"). A new class of shares ("D Shares") in Alpha FX Limited has been created, with 18% owned by management and selected employees. The value of the D Shares will be linked to the performance of the APS business. From March 2023, the APS Participants will have the option to convert 25% of their holding of D Shares into Group shares each year for four years (with the final option being exercisable in March 2026). At conversion, and in exchange for converting their D shares into shares in the Group, the APS Participants' holding of D Shares in Alpha FX Limited will commensurately decrease and the Group's holding will commensurately increase.

### Other share schemes

In the year ended 31 December 2017, an award was made to a Director under an unapproved option agreement of 57,297 share options at an exercise price of £0.002 per option share which is exercisable between 3 April 2018 and 3 April 2020. The fair value of the option granted in the prior year was £27,462 which was calculated using a Black Scholes model. The inputs used for fair valuing this award were expected volatility of 25%, a risk-free interest rate of 0.09% and a one-year option life.

The Group recognised a total expense related to all the above equity-settled share-based payment transactions in the year ended 31 December 2019 of £497,021 (2018: £311,864).

The Group operates a number of growth share schemes where shares in subsidiary entities are awarded to employees and are converted into shares in the Company at a future date based on pre-determined vesting criteria. The Group obtains external tax valuations for all share schemes from an independent third party prior to issue and also obtains indemnities from all employees for any future tax liabilities that may arise.

Should any additional payroll tax liabilities arise, in the first instance, they would be paid by the subsidiary company and the tax indemnities would ensure recovery of any additional tax liabilities from the growth shareholders. The Board has assessed that should such an event occur, there would not be a material impact on the Group's net assets or the result for the year.

## 26. ULTIMATE CONTROLLING PARTY

The Directors believe that there is no ultimate controlling party of the Group.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2020 the Company determined that following the vesting of shares under the Growth Share Schemes for the year ended 31 December 2019, it would be issuing 822,873 shares on or around 31 March 2020.

## Company Statement of Financial Position For the year ended 31 December 2019

Company number: 07262416

	NOTE	YEAR ENDED 31 DECEMBER 2019 £	YEAR ENDED 31 DECEMBER 2018 £
<b>Non-current assets</b>			
Investments	4	1,706,934	1,346,865
Deferred tax asset	7	136,318	55,130
<b>Total non-current assets</b>		<b>1,843,252</b>	<b>1,401,995</b>
<b>Current assets</b>			
Trade and other receivables	5	35,207,574	34,379,941
Current tax asset		81,277	34,842
Cash and cash equivalents		-	14,949
Total current assets		35,288,851	34,429,731
<b>Total assets</b>		<b>37,132,103</b>	<b>35,831,726</b>
<b>Equity</b>			
Share capital	9	74,248	73,092
Share premium account		31,387,853	31,387,853
Capital redemption reserve		3,701	3,701
Merger reserve		666,529	666,529
Retained earnings		4,846,570	3,629,607
<b>Total equity</b>		<b>36,978,901</b>	<b>35,760,782</b>
<b>Current liabilities</b>			
Trade and other payables	6	153,202	70,944
<b>Total current liabilities</b>		<b>153,202</b>	<b>70,944</b>
<b>Total equity and liabilities</b>		<b>37,012,103</b>	<b>35,831,726</b>

The Company reported a profit for the year ended 31 December 2019 of £3,330,921 (2018: £2,820,415).

The financial statements of Alpha FX Group plc were approved by the Board of Directors on 17 March 2020 and signed on its behalf by:

Morgan Tillbrook  
Director

T K Kidd  
Director

## Company Statement of Changes in Equity For the year ended 31 December 2019

	CALLLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	CAPITAL REDEMPTION RESERVE £	MERGER RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
<b>Balance at 1 January 2018</b>	<b>65,524</b>	<b>12,237,951</b>	<b>3,701</b>	<b>666,529</b>	<b>2,280,601</b>	<b>15,254,306</b>
<i>Changes in equity</i>						
Shares issued on vesting of share option scheme	1,131	-	-	-	(1,131)	-
Share-based payments	-	-	-	-	296,072	296,072
Shares issued on placing	6,437	19,948,895	-	-	-	19,955,332
Cost of shares issued on placing	-	(798,993)	-	-	-	(798,993)
Dividends paid	-	-	-	-	(1,766,350)	(1,766,350)
Total comprehensive income	-	-	-	-	2,820,415	2,820,415
Shares issued on vesting of share option scheme	1,131	-	-	-	(1,131)	-
<b>Balance at 31 December 2018</b>	<b>73,092</b>	<b>31,387,853</b>	<b>3,701</b>	<b>666,529</b>	<b>3,629,607</b>	<b>35,760,782</b>
<i>Changes in equity</i>						
Shares issued on vesting of share option schemes	1,156	-	-	-	(1,156)	-
Share-based payments	-	-	-	-	411,556	411,556
Dividends paid	-	-	-	-	(2,524,358)	(2,524,358)
Total comprehensive income	-	-	-	-	3,330,921	3,330,921
<b>Balance at 31 December 2019</b>	<b>74,248</b>	<b>31,387,853</b>	<b>3,701</b>	<b>666,529</b>	<b>4,846,570</b>	<b>36,978,901</b>

## Notes to the Company Financial Statements For the year ended 31 December 2019

### 1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosures of related party transactions with other wholly owned members of Alpha FX Group plc group of companies.

In addition, and in accordance with FRS 101 financial instrument disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share based payments;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); or
- fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

The financial statements are prepared in pounds sterling which is the functional currency of the Group.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

### 3. PROFIT FOR THE YEAR

As permitted in section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2019 of £3,330,921 (2018: £2,820,415).

The auditor's remuneration for audit and other services is disclosed in Note 5 to the consolidated financial statements.

### 4. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company's investment in the share capital of Alpha FX Limited and details of the subsidiary companies are disclosed in Note 14 to the consolidated financial statements.

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Balance at 1 January	1,346,865	1,081,302
Share for share exchange	360,069	265,563
<b>Balance at 31 December</b>	<b>1,706,934</b>	<b>1,346,865</b>

The additional investment in the year represents the share-based payment for employee share schemes in the subsidiary company.

### 5. TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Amount owed by Group undertaking	35,207,444	34,377,570
Prepayments	130	2,371
	<b>35,207,574</b>	<b>34,379,941</b>

During the year, no impairment provisions have been made against any class of debtor.

### 6. TRADE AND OTHER PAYABLES

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
Accruals and deferred income	153,202	70,944
	<b>153,202</b>	<b>70,944</b>

### 7. DEFERRED TAX

The deferred taxation asset at a tax rate of 19% (2018: 17%) comprises the following:

	31 DECEMBER 2019 £	31 DECEMBER 2018 £
At 1 January	55,130	39,873
Deferred tax relating to share-based payments	81,188	15,257
<b>Total deferred tax asset</b>	<b>136,318</b>	<b>55,130</b>

### 8. EMPLOYEE COSTS

The Company did not have any employees during the year (2018: nil). All staff are employees of the subsidiary undertaking.

### 9. SHARE CAPITAL

Details of the share capital of the Company are included in note 20 to the consolidated accounts.

## Shareholder Information

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### REGISTERED OFFICE

Brunel Building  
2 Canalside Walk  
London W2 1DG

### COMPANY ADVISERS

Liberum Capital Limited  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London EC2Y 9LY

### SHARE REGISTRARS

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

### CORPORATE BROKERS

Liberum Capital Limited  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London EC2Y 9LY

### FINANCIAL PR & ADVISORS

Alma PR  
71- 73 Carter Lane  
London EC4V 5EQ

### AUDITORS

BDO LLP  
Level 12 Thames Tower  
Station Road  
Reading  
Berkshire RG1 1LX

### LEGAL ADVISERS

Bird & Bird  
12 New Fetter Lane  
London EC4A 1JP

**LONDON (HEAD OFFICE)**

Brunel Building  
2 Canalside Walk, London W2 1DG  
+44 (0)20 3800 0120  
info@alphafx.co.uk

**TORONTO**

150 King Street West, Third Floor  
Toronto, Ontario M5H 1J9  
+1 (437) 370 4366  
info@alphafx.ca

**AMSTERDAM**

Nieuwezijds Voorburgwal  
162, 1012 SJ, Amsterdam, Netherlands  
+44 (0)20 3800 0120  
info@alphafx.nl

**WWW.ALPHAFX.CO.UK**