

RNS Number : 5402G
Alpha FX Group PLC
18 March 2020

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Alpha FX Group plc
("Alpha FX" or the "Group")

Full Year results
for the year ended 31 December 2019

Alpha FX (AIM: AFX), an FX risk management and payments specialist servicing corporates and institutions internationally, is pleased to announce its audited Full Year Results for the year ended 31 December 2019.

Financial Highlights

- Revenue up 51% to £35.4m (2018 £23.5m)
- Underlying* operating profit up 47% to £14.7m (2018 £10.0m)
- Reported operating profit up 41% to £13.7m (2018 £9.7m)
- Underlying operating profit margin for the year of 42% (2018: 43%) and on a reported basis 39% (2018: 41%)
- Underlying basic earnings per share up 33% to 30.1p (2018: 22.7p) and on a reported basis 27.7p (2018: 21.8p)
- Final dividend of 5.4 pence per share, payable on 13 May 2020 to shareholders on the register as at 14 April 2020

Operational highlights

- 34% increase in client numbers, from 482 to 648**; average revenue per client grew by 12% from £48.7k to £54.6k
- Staff numbers increased from 82 to 124
- Cash rich and debt free liquidity position allows ongoing support of client hedging programmes and new client wins
- 43% of employees now hold a long-term equity interest in the business***
- Successful move into Paddington headquarters in August 2019
- New divisions, Alpha Payment Solutions and Alpha Canada, have continued to build momentum
- Alpha Institutional division now a core contributor of revenue
- Launch of E Share Growth Scheme

* Underlying excludes the impact of exceptional property related costs and non-cash share-based payments.

** 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 retention for the purposes of these figures.

*** The Group defines a 'long-term equity interest' as an equity stake: held prior to the Company's IPO; or held in the Group's B or C growth share scheme; or shares owned directly in one of the Group's trading subsidiaries.

Outlook

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.

Morgan Tillbrook, Chief Executive Officer of Alpha FX, commented:

"We had another excellent year delivering strong revenues and seeing momentum build in our newly formed divisions, Alpha Payment Solutions and Alpha Canada. The bedrock of Alpha's success is our people and culture and I would like to thank all our staff for their continued hard work and dedication throughout the year."

Enquiries:**Alpha FX Group plc**

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Market Abuse Regulation

This announcement is released by Alpha FX Group plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("MAR") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Alpha FX Group plc was Tim Kidd, Chief Financial Officer.

Notes to Editors

Alpha is an FX risk management and payments specialist focused on helping organisations manage their currency exposures more effectively. The Group's primary client base consists of corporates and institutions that have a requirement to convert currency for a commercial purpose, such as buying or selling goods and services overseas, repatriating profits, or expatriating payroll. Since it was incorporated in 2010, Alpha FX has been able to build and retain a high-quality client base that includes a number of highly respected household brands.

Chief Executive's Statement

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 newer 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 highly confident Alpha Payment Solutions is on track to become a meaningful contributor to 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 in new products, markets and infrastructure, 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 enables us to increase the potential wallet share of our existing market. As businesses' familiarity with non-bank financial institutions increases, the appetite to purchase services from 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 still 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 the 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 & 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 multi-lingual 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 as of the year end 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.

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!

Financial Review

Revenue for the year increased by 51% to £35.4m with revenue 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.

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 below which excludes the above items.

	31 Dec 19 £'m	31 Dec 18 £'m
Net cash & cash equivalents	73,960	38,396
Variation margin paid to banking counterparties	1,127	3,539
	75,087	41,935
Margin received from clients & client held funds	(41,862)	(11,424)
Net MTM timing loss/(profit) from client drawdowns and extensions within trade receivables	5,364	5,208
Adjusted net cash**	38,589	35,719

* 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 Dec 19 £'000	Year ended 31 Dec 18 £'000
Underlying profit before tax	14,735	10,005
Depreciation & amortisation	452	174
Loss on sale 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**	<u>10,545</u>	<u>7,302</u>
Conversion	72%	73%

** 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.

B Share Growth Scheme

The Group has previously implemented the B Share Growth Scheme pursuant to which B Shares were issued to certain full-time employees of the Group. The B Share Growth Scheme is administered and managed by the Board. The B Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Company. The B Shares vest in five equal tranches, occurring annually, starting on 31 December 2017 until 31 December 2021. The requirement for revenue growth of Alpha FX Limited in the first three years is 30% per annum, whilst vesting in years four and five requires 20% annual revenue growth.

Since Alpha FX Limited achieved revenue growth in excess of 30% in the year ended 31 December 2019, the third tranche of B Shares has vested. The Company will issue 535,300 ordinary shares to employees under the B Share Growth Scheme.

C Share Growth Scheme

The Group has previously implemented the C Share Growth Scheme pursuant to which C shares were issued to certain full-time employees of the Group. The C Shares contain a put option, such that, when and to the extent vested, they can be converted into ordinary shares in the Company. The C Shares will vest in five tranches, occurring annually, starting on 31 December 2018 until 31 December 2022. The first tranche to vest will be equal to 10% of the participant's C Share entitlement and thereafter will be equal to 22.5% 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).

Certain participants under the C Shares Growth Scheme have elected to have their C Shares vest. Accordingly, the Company will issue 287,573 ordinary shares under the C Share Growth Scheme.

Application will be made for the new ordinary shares to be issued under the B Share Growth Scheme and the C Share Growth Scheme to be admitted to trading on the AIM market of the London Stock Exchange and admission is expected to occur on or around 31 March 2020. A further announcement regarding the admission date of these new ordinary shares will be made in due course.

E Share Growth Scheme

The Group will be adopting a growth share scheme, in addition and on similar terms to the existing B Share Growth Scheme and C Share Growth Scheme, under which E ordinary shares ("**E Shares**") in Alpha FX Limited will be issued to full time employees of the Group ("**E Share Growth Scheme**"). The E 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 E Shares will be regarded as worth a pro rata share of the market capitalisation gain of Alpha FX Group plc above a hurdle price based upon the market capitalisation of Alpha FX Group plc at the time of allotment. The gain that an E shareholder could receive will be capped through placing a ceiling on the maximum market capitalisation of Alpha FX Group plc. The result of doing so is that the E shares will be entitled to a pro rata share of the gain in market capitalisation of Alpha FX Group plc between the hurdle price at the time of allotment and the market capitalisation ceiling (which the Group is currently finalising).

Conversion is only permitted to the extent that the E Shares have vested. The E Shares will vest in four equal tranches of 25%, occurring annually, starting on 31 December 2021 until 31 December 2024. The requirement for revenue growth of Alpha FX Limited between each of the four years is currently being finalised by the Group. 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 E Shares at cost.

Alpha Payment Solutions and Institutional Division

The Company intends on adjusting the shareholding within the Alpha Pay and Institutional divisions shortly to ensure the ongoing incentivisation of new and existing employees. It is expected that the interest of Alpha FX Limited in Alpha Payment Solutions will become 78.5% (from 82%) and the interest of Alpha FX Institutional Limited will become 71.9% (from 70%).

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Year ended 31 Dec 19	Year ended 31 Dec 18
	£	£
Revenue	35,378,200	23,474,709

Operating expenses	(21,698,615)	(13,781,984)
Underlying operating profit	14,734,984	10,004,589
Exceptional property related costs	(558,378)	-
Share based payments	(497,021)	(311,864)
Operating profit	13,679,585	9,692,725
Finance income	81,467	39,054
Finance costs	(215,789)	-
Profit before taxation	13,545,263	9,731,779
Taxation	(2,525,394)	(1,911,082)
Profit and total comprehensive income for the period	11,019,869	7,820,697
Other comprehensive income		
Currency translation	(3,133)	10,087
Total comprehensive income for the year	11,016,736	7,830,784
Profit for the period attributable to:		
Equity holders of the parent	10,257,023	7,402,768
Non-controlling interests	759,713	428,016
	11,016,736	7,830,784
Earnings per share attributable to equity owners of the parent		
- basic	27.7p	21.8p
- diluted	26.9p	21.3p
- <i>underlying basic</i>	30.1p	22.7p
- <i>underlying diluted</i>	29.2p	22.1p

Consolidated statement of financial position

As at 31 December 2019

		As at 31 Dec 2019	As at 31 Dec 2018
	Note	£	£
Non-current assets			
Intangible assets		1,182,089	437,488
Property, plant and equipment		2,279,503	172,851
Right-of-use assets	6	7,750,425	-
Total non-current assets		11,212,017	610,339
Current assets			
Trade and other receivables	7	45,452,687	34,462,611
Cash and cash equivalents	8	73,960,407	38,396,301
Other cash balances	8	3,866,514	2,562,538
Total current assets		123,279,608	75,421,450
Total assets		134,491,625	76,031,789
Equity			
Share capital	10	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		22,932,520	15,002,646
Translation reserve		6,954	10,087

Equity attributable to equity holders of the parent		55,071,805	47,143,908
Non-controlling interests		2,499,392	1,562,422
Total equity		57,571,197	48,706,330
Current liabilities			
Trade and other payables	9	68,056,068	26,052,174
Current tax liability		837,341	1,028,498
Provisions		95,603	43,350
Total current liabilities		68,989,012	27,124,022
Non-current liabilities			
Deferred tax liability		293,617	45,724
Lease liability	6	7,637,799	-
Provisions		-	155,713
Total non-current liabilities		7,931,416	201,437
Total equity and liabilities		134,491,625	76,031,789

Consolidated cash flow statement

For the year ended 31 December 2019

		Year ended 31 Dec 19	Year ended 31 Dec 2018
	Notes	£	£
Cash flows from operating activities			
Profit before taxation		13,545,263	9,731,779
Net finance costs		134,322	(39,054)
Amortisation of intangible assets		248,340	108,492
Depreciation of property, plant and equipment		203,551	65,810
Depreciation of right of use assets		485,171	-
Loss on disposal of fixed assets		46,645	63,259
Share-based payment expense		442,764	296,072
Provisions (utilised)/ charged in year		(103,460)	9,063
(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)
Cash inflows from operating activities		45,831,179	10,081,327
Tax paid		(2,468,658)	(1,552,133)
Net cash inflows from operating activities		43,362,521	8,529,194
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(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	-
Internally developed intangible assets		(992,941)	(421,260)
Net cash outflows from investing activities		(3,514,624)	(526,155)
Cash flows from financing activities			
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)	-
Net cash outflows from financing activities		(4,280,658)	17,310,043
Increase in net cash and cash equivalents in the year		35,567,239	25,313,082
Net cash and cash equivalents at beginning of		38,396,301	13,073,132

year			
Foreign currency movements		(3,133)	10,087
Cash and cash equivalents at end of year	8	73,960,407	38,396,301

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Attributable to the owners of the parent							Non-controlling interests	Total
	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Retained earnings	Translation reserve	Total		
	£	£	£	£	£	£	£		
Balance at 1 January 2018	65,524	12,237,951	3,701	666,529	9,081,374	-	22,055,079	-	22,055,079
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)
Balance at 31 December 2018	73,092	31,387,853	3,701	666,529	15,002,646	10,087	47,143,908	1,562,422	48,706,330
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)
Balance at 31 December 2019	74,248	31,387,853	3,701	666,529	22,932,520	6,954	55,071,805	2,499,392	57,571,197

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.

Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2019 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The auditors' reports on the financial statements for 31 December 2019 and 31 December 2018 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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 financial information set out above does not constitute statutory accounts for the purposes of section 435 of the Companies Act 2006, for the years ended 31 December 2019 and 31 December 2018, but is derived from those accounts.

The Directors have assessed the Group's projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group remains well placed to manage its business risks successfully. 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. Accordingly, the directors continue to adopt the going concern basis in preparing the statutory accounts for the year ended 31 December 2019.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Accounting policies

The accounting policies adopted in these financial statements are identical to those adopted in the Group's most recent annual financial statements for the year ended 31 December 2019 except as described below.

On 1 January 2019 the Group adopted IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. The adoption of IFRS 16 means 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.

Segment reporting

The revenue for the Group is generated through 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.

In 2019, 56% of the Group's revenue derived from within the UK. Details of segmental reporting are shown in note 4.

3. 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
	pence	pence
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	31 December 2018
	No.	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

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

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.

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)
Profit before taxation	11,491,156	3,586,353	(663,944)	(868,302)	13,545,263

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
Profit before taxation	8,779,060	1,269,801	(317,082)	-	9,731,779

*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.

	31 December 2019	31 December 2018
	£	£
Revenue by product		
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	-
Total	35,378,200	23,474,709

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

5. 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'.

6. Right-of-use assets and lease liabilities

Right-of-use assets

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

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
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	£	£
At 1 January	-	-
Additions	8,070,761	-
Finance cost	215,792	-
Payments in the year	(355,986)	-
At 31 December	7,930,567	-
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%.

7. Trade and other receivables

Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions.

	31 December 2019	31 December 2018
	£	£
Trade receivables (derivative financial assets)	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

At 31 December 2019 and 31 December 2018, the receivables are shown net of the Credit Value Adjustment.

8. 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*	1,126,930	3,538,587
Other cash balances	3,866,514	2,562,538
Total cash	78,953,851	44,497,426

*Included within trade receivables and trade payables

9. Trade and other payables

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

	31 December 2019	31 December 2018
	£	£
Trade payables (derivative financial liabilities)	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 6)	292,768	-

Accruals and deferred income	2,524,442	1,094,363
	68,056,068	26,052,174

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.

10. Share capital

	As at 31 December		As at 31 December	
	2019		2018	
	No.	£	No.	£
<i>Authorised, issued and fully paid</i>				
Ordinary shares of £0.002 each	37,123,956	74,248	36,545,968	73,092
				Ordinary shares
Number of shares				
At 1 January 2018				32,761,979
Shares issued on vesting of share option scheme				565,387
Shares issued on placing				3,218,602
At 31 December 2018				36,545,968
Shares issued on vesting of share option scheme				577,988
At 31 December 2019				37,123,956

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.

11. 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.

12. Availability of Annual Financial Report

The Group notes that the Annual Report & Accounts for the year ended 31 December 2019 will be posted to Alpha FX shareholders in the first week of April 2020. The document will also be available on the Group's website at www.alphafx.co.uk and in hard copy at Brunel Building, 2 Canalside Walk, London, W2 1DG.

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