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Alpha FX Group PLC
02 September 2020

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Alpha FX Group plc

("Alpha FX" or the "Group")

Interim Report

Alpha FX (AIM: AFX), a provider of FX risk management and alternative banking solutions for corporates and institutions internationally, today announces its unaudited Interim Report for the six months ended 30 June 2020.

Financial Highlights

- Group revenue up 16% to £18.0m (H1 2019: £15.6m)
- Underlying[1] operating profit of £6.1m (H1 2019: £6.7m) after deducting a temporary provision of £0.5m for the debt of the Norwegian client referenced in our announcement of 2 April 2020
- Reported operating profit of £5.9m (H1 2019: £6.2m), again after deducting the £0.5m provision
- Underlying operating profit margin of 34% (H1 2019: 43%) after continued investment to support long-term growth
- Underlying basic earnings per share of 9.5p in the period (H1 2019: 14.0p), with basic earnings per share of 8.9p (H1 2019: 12.9p)
- Alpha Payment Solutions reported consecutive record revenue quarters in Q1 and Q2 and grew operating profit margin to 38%
- The Group was profitable throughout the period and is well capitalised and debt free, with net assets in excess of £80m and £37.0m of own free cash on the balance sheet
- All cash repayments of the debt due from the Norwegian client have been received on schedule. Accounting standards require the Group to book two accounting provisions with no cash impact, one of £1.0m for the difference between the nominal value and the net present value of future repayments, and one of £0.5m to reflect the possibility that the debt will not be fully repaid, which directly impacts our reported operating profit. Both provisions reverse as each cash repayment is received. The provisions required at the year-end should therefore be significantly lower than the provisions as at H1 2020

Operational Highlights

- Client numbers increased during the period from 648 to 671[2]
- Diversified client base resulting in largest client now representing less than 3% of the forward book
- Strong business continuity planning and cloud-based infrastructure enabled 100% of staff to transition to remote working within 24 hours, without compromising service levels, following the outbreak of COVID-19
- Completed migration away from both external and internal technology contractors, with all technology team members now full-time employees based at our London HQ
- Long-term growth ambitions remain unchanged and we will continue to invest in back office headcount, technology, geographical expansion and our operational agility

Outlook

After a strong Q1, trading in Q2 was marginally down against the comparable period, following the impact of COVID-19. However, as the world begins to recover from the impact of COVID-19, we have seen the Group's performance return to the levels we saw in Q1, with a strong Group performance recorded in both July and August.

Since the period end, our core FX risk management business in the UK and Europe and our more recent investments have performed well, with strong client acquisition across the board, our Canadian office posting a record month for revenues and client acquisition in August, and Alpha Payment Solutions already achieving a record third quarter for revenues after only two months.

Whilst we recognise ongoing uncertainty regarding COVID-19, in light of our recent performance and the diversity of our products and market opportunity, we are confident in the full year outcome.

Morgan Tillbrook, Chief Executive Officer of Alpha FX commented:

"I am pleased to report on another period of progress delivered across all areas of the business. Whilst COVID-19 presented us with some challenges, the dedication and hard work of all employees ensured we were able to continue servicing our clients to a high standard and finish the period stronger than originally anticipated in the early stages of lockdown.

To our investors, clients and the team that I have the privilege of working with on a day-to-day basis - thank you for your continued support. Your belief in our business and understanding of our long-term growth ambitions is inspiring and fuels our goal to continue taking Alpha to new heights. Whilst uncertainty remains, we have proven that we have the resilience and drive to succeed, and I look ahead to the rest of the year with confidence."

Enquiries

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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 provides FX risk management and alternative banking solutions to corporates and institutions across the UK, Europe and Canada. Combining leading expertise and technology, the Group partners with a small number of high value clients, to provide enterprise-level solutions across four key areas: FX risk management, international payments, accounts and collections.

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 brands.

CEO Statement

Introduction

I am pleased to report on another period of solid progress, supported by the Group's diverse offering, marketplaces and, above all else, the commitment and character of our people. Despite some challenges experienced as a result of COVID-19, trading in H1 has remained profitable, with revenue up 16% on H1 2019 and underlying operating profit of £6.1m. Our H1 operating profit was marginally lower than the prior year, partly because of the £0.5m accounting provision caused by the debt from our Norwegian client, but also because of our decision to continue investing in our long-term growth strategy during the period, despite revenues naturally decreasing under COVID-19. This increased investment in our technology, our risk and control functions, as well as Back Office headcount, is designed to ensure we have the capacity needed to support our long-term ambitions beyond the pandemic and reflects our confidence in maintaining our growth.

Response to COVID-19

Following the outbreak of COVID-19, we were quick to implement a business continuity plan to enable the Group to continue operating effectively and securely with 100% of staff transitioning to remote working.

Whilst we saw minimal disruption to the day-to-day running of our operations, and have emerged from H1 with increased resilience from lessons learned, we were not immune to the macroenvironment during this period. When two black swan events collided (COVID-19 and the Saudi-Russian oil crisis), it had an unprecedented impact on the currency pair that our largest client (as a percentage of the forward book) was exposed to. Despite the rarity of these circumstances, we have carried out a thorough review of our internal processes during the period and have now completed the additional steps to further enhance the resilience of the business and safeguard the interests of all our stakeholders.

Additionally, in order to give our investors improved visibility, we now bi-annually publish our concentration of clients by sector and top 20 clients as a percentage of our forward book (the largest of which represents less than 3% as at H1). The full breakdown can be viewed online at: https://www.alphafx.co.uk/investors/financial-information/client-concentration/sector-concentration/

Business Overview

Corporate FX Risk Management

Our corporate FX risk management division is focused on supporting corporates in the UK, Europe and Canada that are trading currency for commercial purposes, such as buying or selling goods and services overseas. We service this marketplace through our core office in London, which was launched in 2009, and more recently through our offices in Canada and Amsterdam, launched in 2018 and 2020 respectively.

With COVID-19 reducing the overall trading activities of corporates, many clients subsequently delayed or reduced their FX activities. As a result, our London office saw a small decrease in revenues to £12.4m (H1 2019: £12.5m), a trend we expect to unwind as corporates regain certainty around their forecasted sales and purchases.

Our office in Canada also experienced reduced activity during the period. As a result, the office fell just short of reaching profitability in the period, but with an experienced leadership team in place, an extensive market opportunity and a strong start to the second half, we remain confident in the growth prospects of the office. Our Amsterdam office, which launched in April 2020, has grown to a team of four and, having already onboarded a number of clients, is now generating revenues.

Institutional FX Risk Management

Our institutional FX risk management division in London, established in 2018, is focused on supporting institutions and funds in the UK and Europe that, similar to our corporate clients, are trading currency for commercial purposes, such as hedging the value of an underlying asset. Our institutional currency management division has continued to make good progress during the year, with revenues increasing 21% on the first half 2019 to £3.1m.

Alpha Payment Solutions

Alpha Payment Solutions ("APS") is focused on providing corporates and institutions across the UK, Europe and Canada with a suite of alternative banking solutions covering payments, collections and accounts. The solutions are designed to significantly increase the efficiency of sending, receiving and holding funds overseas, whilst also enhancing security and reliability. APS leverages the Group's corporate and institutional sales teams in order to identify potential clients. Our team of payment strategists are then responsible for onboarding and implementation.

The APS revenues grew to £1.7m (H1 2019: £0.2m) in the period whilst also delivering consecutive quarter on quarter revenue growth and an operating profit margin of 38%.

Whilst APS still remains in a relatively nascent stage of development, with new features and products due to be launched over the next 12 months, we are excited by its growth potential. The recurring nature of payments and collections and the integrated nature of our technology means that this division provides strong (and often contractual) repeat revenues which are highly cash generative.

Market Developments

Naturally, COVID-19 presented us with some challenges, but Alpha's performance to date highlights the resilience we have built from investing in new markets and products. At the time of the IPO, the Group operated solely in the UK with one core offering - corporate currency risk management. Since then, we have significantly broadened our offering to cover FX risk management and alternative banking solutions, with high-quality corporate and institutional clients now spanning Europe and Canada. In order to further increase our competitive differentiation, we have created a team of Product Owners who are responsible for researching our key markets, providing us with the insights we need to fuel our innovation, to ensure we can continue capitalising on the significant market opportunity going forward.

People

Front Office

Faced with a short-term dip in FX demand in Q2 and the natural challenge of inducting new salespeople remotely, the Group deferred hiring new Front Office team members, with headcount subsequently remaining flat during the period at 74. However, as Front Office staff have begun returning to the office, hiring has resumed and we have already been joined by a number of new starters post the period end. As a business that continued paying full salaries and commissions throughout the pandemic, we retain a highly motivated and loyal team and believe the strength of our employee value proposition will go even further in this environment to support our recruitment efforts.

Whilst we will continue to increase our Front Office headcount across the Group, there is now significant capacity within the existing team to support considerable growth long into the future. Team members in the early stages of their development will continue to be supported by more senior partners and therefore we expect them to deliver incrementally greater revenues as they continue to mature. We have noticed that each new cohort of employees has become more proficient than the last, meaning every year they are producing more revenues over a shorter time frame. To support this trend, we remain committed to maintaining our talent as we scale, by only hiring and retaining people that are able to uphold our high standards of performance without compromising on our culture.

Back Office & Technology

Back Office headcount increased by 7 from 50 to 57, which largely reflected our investment in the technology team, to support the ongoing product development of APS. At the beginning of H1 we made a number of exciting senior hires within our tech team, with individuals joining us from successful and established technology backgrounds.

These new hires have been quick to make an impact and also helped us to identify key areas of improvement. One of these areas was exploring how we could further our ambition to build a world-class and sustainable proprietary product suite, by eliminating our reliance on external developers or even internal contractors. Whilst our core tech-stack has always been built internally, more recently we had taken on a team of offshore contractors to support certain projects. However, if we want technology that is built to last - the same should be true for our team. As such, during the year we focused on winding down our dependence on contractors whilst growing our inhouse team, and are looking forward to hosting a series of graduate recruitment days to support this. This will ultimately enable us to maintain our operational agility and ensure our workplace culture is upheld long into the future.

By fully moving away from contractors (both internal and external) in favour of full-time, inhouse employees, we will naturally see an increase in back office headcount and we intend to add further employees over the coming months. In order to support the growing success of APS we will continue to expand the depth of our resources in our Compliance, Risk and Settlement functions, which will also increase headcount. As a result, we expect the ratio of Back Office to Front Office employees to adjust accordingly, but do not anticipate any direct impact on margin, given the continued growth within the APS division and the strong margins it is already delivering.

Financial Review

Revenue for the six months to 30 June 2020 increased by 16% over the comparable prior period to £18.0m (H1 2019: £15.6m) despite COVID-19 impacting all areas of the business in the second quarter. The revenue growth was driven by the Institutional business, Alpha Payment Solutions and Canada, whilst the Corporate business based in London reported a small decrease in revenues caused by a number of clients reducing their FX activity during the pandemic while they waited for more certainty around their forecasted sales or purchases.

As previously announced on 2 April 2020 the Group entered into a settlement agreement with a Norwegian client. Since this date, the client has continued to meet their settlement agreement cash repayment obligations on time. Accounting standards require the Group to book two accounting provisions that have no cash impact. The first provision of £0.5m at 30 June 2020 is based on an estimated probability of default, with the charge included in operating expenses. The second provision of £1.0m at 30 June 2020 is charged to finance costs and represents the difference between the nominal value of future payments and their net present value. Both these provisions should reverse in full as cash repayments are received in the period to 30 June 2022, with the provisions expected to reduce to approximately £0.9m by the current financial year end. Despite the unprecedented macro-economic impact of COVID-19, the bad debt provision created in respect of all other clients during H1 amounted to only £0.2m.

The above provisions relating to the settlement agreement have had a significant impact on the results for the six months to 30 June 2020 but should have less impact on results in the next few periods as they unwind. As shown in the table below, if these provisions are excluded from the results for the period, adjusted underlying profit before tax is 5% lower than the comparable period for the prior year.

Despite the impact of COVID-19, the Group continued to invest in the 6 months to 30 June 2020. As a result, the profit before tax margin fell to 26% (H1 2019: 40%). If the provisions relating to the client on a repayment plan are added back to underlying profit before tax, the margin would be 36% (H1 2019: 44%). With these investments driving future scalability, particularly for Alpha Payment Solutions, and the impact of COVID-19 subsiding, we expect margins to broadly return to historical levels.

	6 months to 30-Jun-20 £'000	6 months to 30-Jun-19 £'000
Profit before taxation	**4,713**	**6,275**
Exceptional property related costs	-	249
Share-based payments	201	206
Underlying profit before taxation	4,914	6,730
Add back timing differences relating to client on repayment plan:		
Finance cost relating to discounting client receivable to net present value	1,007	-
Estimated probability of client default	483	-
Adjusted underlying profit before taxation	6,404	6,730

Underlying basic earnings per share were 9.5p in the period (H1 2019: 14.0p) whilst basic earnings per share were 8.9p (H1 2019: 12.9p).

Cash flow

On a statutory basis, cash and cash equivalents increased by £42.6m in the six months to 30 June 2020 to £116.6m. The Group's cash position can fluctuate significantly from period to period due to the impact of changes in the collateral received from clients, early 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 a cash summary below which excludes the above items, providing a better view of the Group's net cash resources.

In the six months to 30 June 2020 adjusted net cash on this basis has reduced slightly by £1.6m. This represents the net impact of the funds raised from the placing, and cash conversion from the trading in the period offset by the cash outflow from the client subject to a repayment plan.

The Group's cashflow in the period has benefitted from a higher proportion of the revenue being derived from payments, spot and option products (47% in H1 2020 compared to 30% in FY 2019) where cash is received within a few days of the trade date. This trend is expected to continue in the second half of the year and together with further repayments from the client subject to the settlement agreement, the adjusted net cash is expected to continue increasing.

	30-Jun-20 £'000	30-Jun-19 £'000	31-Dec-19 £'000
Net cash and cash equivalents	116,605	59,360	73,960
Variation margin paid to banking counterparties	26,741	41	1,127
	143,346	59,401	75,087
Margin received from clients and client held funds*	(80,411)	(29,160)	(41,862)
Net MTM timing loss/(profit) from client drawdowns & extensions within trade receivables	(25,909)	5,848	5,364
Adjusted net cash**	37,026	36,089	38,589

* Included within 'other payables' in the 'trade and other payables' note 10

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

The method used to calculate the Group's cash conversion in previous reports (cash from operations before tax and after capital expenditure as a % of revenue) is substantially impacted by the client on the repayment plan. On a consistent basis the conversion would be -373% compared to 59% in H1 2019 and 72% for FY 2019. If the cash impact of the client on the repayment plan is excluded, the conversion would be slightly over 100% largely due to the higher proportion of revenue being derived from products where cash is received within a few days of the trade date.

Alpha remains profitable, debt free and extremely well capitalised, with £37.0m in free cash immediately available on its balance sheet, alongside over £80m in net assets. At a time when many within our industry are adopting more defensive strategies, our strong cash position has provided us with the financial flexibility to continue acquiring new clients, whilst maintaining our key strategic investments in new products and markets.

Dividend

Due to the continued uncertainty regarding the future impact of COVID-19 on the global economy, the Board is not declaring an interim dividend. Instead, the Group will continue to focus on maximising the strength of its balance sheet in order that it can invest in the long-term growth of the business and capitalise on the current opportunities that it sees in its marketplaces.

The Board understands the importance of dividends to its shareholders and intends to resume the payment of dividends as soon as it considers it prudent to do so.

Consolidated Statement of Comprehensive Income

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019	Audited year ended 31 Dec 2019

	Note	£'000	£'000	£'000
Revenue		18,006	15,556	35,378
Operating expenses		(12,154)	(9,323)	(21,698)
Underlying operating profit		6,053	6,688	14,735
Exceptional property related costs	*3*	-	(249)	(558)
Share-based payments		(201)	(206)	(497)
Operating profit	*4*	5,852	6,233	13,680
Finance income	*5*	31	42	81
Finance costs	*5*	(1,170)	-	(216)
Profit before taxation		4,713	6,275	13,545
Taxation		(969)	(1,181)	(2,525)
Profit for the period		3,744	5,094	11,020
Other comprehensive income:				
Currency translation differences arising from consolidation		(26)	(35)	(3)
Total comprehensive income for the period		3,718	5,059	11,017
Profit for the period attributable to:				
Equity owners of the parent		3,385	4,725	10,257
Non-controlling interests		333	334	760
		3,718	**5,059**	**11,017**
Earnings per share attributable to equity owners of the parent (pence per share)				
- basic	*6*	8.9p	12.9p	27.7p
- diluted	*6*	8.7p	12.8p	26.9p
- underlying basic	*6*	9.5p	14.0p	30.1p
- underlying diluted	*6*	9.3p	13.9p	29.2p

Consolidated Statement of Financial Position

	Note	Unaudited as at 30 June 2020 £'000	Unaudited as at 30 June 2019 £'000	Audited 31 Dec 2019 £'000
Non-current assets				
Intangible assets		1,986	691	1,182
Property, plant and equipment		2,163	164	2,280
Right-of-use assets		7,347	7,995	7,750
Total non-current assets		11,496	8,850	11,212
Current assets				
Trade and other receivables	*8*	60,360	35,424	45,453
Cash and cash equivalents	*9*	116,605	59,360	73,960
Other cash balances	*9*	3,642	3,060	3,867
Total current assets		180,607	97,844	123,280
Total assets		**192,103**	**106,694**	**134,492**
Equity				
Share capital	*11*	80	74	74
Share premium account		50,578	31,388	31,388
Capital redemption reserve		4	4	4
Merger reserve		667	667	667
Retained earnings		26,585	18,241	22,932
Translation reserve		(19)	(25)	7
Equity attributable to equity holders of the parent		77,895	50,349	55,072
Non-controlling interests		2,832	1,554	2,499
Total equity		80,727	51,903	57,571
Current liabilities				
Trade and other payables	*10*	102,322	45,678	68,056
Current tax liability		1,302	1,147	837
Provisions		13	43	96
Total current liabilities		103,637	46,868	68,989

Non-current liabilities			
Deferred tax liability	400	80	294
Lease liability	7,339	7,786	7,638
Provisions	-	57	-
Total non-current liabilities	7,739	7,923	7,932
Total equity and liabilities	**192,103**	**106,694**	**134,492**

Consolidated Cash Flow Statement	*Note*	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year ended 31 Dec 2019 £'000
Cash flows from operating activities				
Profit before taxation		4,713	6,275	13,545
Net finance (income)/costs		1,139	(2)	135
Amortisation of intangible assets		158	114	248
Depreciation of property, plant and equipment		214	40	204
Depreciation of right-of-use assets		403	91	485
Loss on disposal of fixed assets		-	-	47
Share-based payment expense		242	188	442
Provision utilised		(83)	(98)	(103)
(Increase)/decrease in other receivables		(513)	(755)	236
Increase in other payables		37,794	18,317	32,146
(Increase) in derivative financial assets		(15,401)	(206)	(9,815)
Increase/(decrease) in derivative financial liabilities		(3,528)	828	9,565
Decrease/(increase) in other cash balances		225	(498)	(1,304)
Cash inflows from operating activities		25,363	24,294	45,831
Tax paid		(398)	(1,028)	(2,468)
Net cash inflows from operating activities		24,965	23,266	43,363
Cash flows from investing activities				
Payments to acquire property, plant and equipment		(97)	(32)	(2,365)
Payments to acquire right-of-use assets		-	-	(165)
Proceeds from the sale of property, plant and equipment		-	-	8
Internally developed intangible assets		(962)	(367)	(993)
Net cash outflows from investing activities		(1,059)	(399)	(3,515)
Cash flows from financing activities				
Dividends paid to equity owners of the Parent Company		-	(1,708)	(2,524)
Dividends paid to non-controlling interests		-	(148)	(1,088)
Issue of ordinary shares by Parent Company		20,000	-	-
Share issue costs		(804)	-	-
Issue of ordinary shares by subsidiary		-	-	-
Payment of lease liabilities		(462)	(54)	(356)
Net interest received		31	42	81
Purchase of non-controlling interest for cash		-	-	(394)
Net cash outflows from financing activities		18,765	(1,868)	(4,281)
Increase in cash and cash equivalents in the period		42,671	20,999	35,567
Cash and cash equivalents at beginning of the year		73,960	38,396	38,396
Foreign currency movements		(26)	(35)	(3)
Cash and cash equivalents at end of period	9	**116,605**	**59,360**	**73,960**

Consolidated Statement of Changes in Equity

Attributable to the owners of the parent

	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2018	**73**	**31,388**	**4**	**667**	**15,003**	**10**	**47,145**	**1,562**	**48,707**

Profit for the year	-	-	-	-	10,260	(3)	10,257	760	11,017
Transactions with owners							-		
Shares issued on vesting of share option scheme	1	-	-	-	(1)	-	-	-	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	1,426	1,426
Shares repurchased from non-controlling interests	-	-	-	-	(248)	-	(248)	(146)	(394)
Forfeiture of shares in subsidiary	-	-	-	-	-	-	-	(15)	(15)
Share-based payments	-	-	-	-	442	-	442	-	442
Dividends paid	-	-	-	-	(2,524)	-	(2,524)	(1,088)	(3,612)
Balance at 31 December 2019	**74**	**31,388**	**4**	**667**	**22,932**	**7**	**55,072**	**2,499**	**57,571**
Profit for the year	-	-	-	-	3,411	(26)	3,385	333	3,718
Transactions with owners									
Share-based payments	-	-	-	-	242	-	242	-	242
Shares issued on placing	6	19,994	-	-	-	-	20,000	-	20,000
Cost of shares issued on placing	-	(804)	-	-	-	-	(804)	-	(804)
Balance at 30 June 2020	**80**	**50,578**	**4**	**667**	**26,585**	**(19)**	**77,895**	**2,832**	**80,727**

Notes to the Consolidated Financial Statements

1. Corporate information

The Company, Alpha FX Group plc, 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). The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings Alpha FX Limited, Alpha FX Institutional Limited, Alpha Foreign Exchange (Canada) Limited and Alpha FX Netherlands Limited.

2. Basis of preparation

The basis of preparation of this financial information is consistent with the basis that will be adopted for the full year accounts which will be prepared in accordance with IFRS as adopted by the European Union.

The financial information is presented in Pounds Sterling ("£"), which is the Group's functional currency, rounded to the nearest thousand.

While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

This interim financial information has not been audited and the financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The year to 31 December 2019 has been extracted from the audited financial statements for that year.

The Group's financial statements for the year ended 31 December 2019 have been reported on by auditors, BDO LLP, and have been delivered to the Registrar of Companies. The auditors report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Accounting policies

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

3. Segmental reporting

During the period the Group principally generated revenue from the sale of forward currency contracts, foreign exchange spot transactions, payments and 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. It also includes Alpha FX Netherlands Limited, which has been trading since April 2020 and services Corporate clients from Amsterdam. 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.

Six months ended June 2020	Corporate London	Institutional	Corporate Toronto	Alpha Payment Solutions	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	12,415	3,091	760	1,740	18,006
Underlying operating profit	3,906	1,511	(18)	654	6,053
Share-based payments	(107)	(94)	-	-	(201)
Finance (costs)/income	(100)	(16)	-	(16)	(132)
Finance cost to discount client receivable to net present value	(1,007)	-	-	-	(1,007)
Profit before taxation	2,692	1,401	(18)	638	4,713

Six months ended June 2019	Corporate London	Institutional	Corporate Toronto	Alpha Payment Solutions	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	12,502	2,548	263	243	15,556
Underlying operating profit	6,094	1,408	(466)	(348)	6,688
Share-based payments	(206)	-	-	-	(206)
Finance (costs)/income	42	-	-	-	42
Exceptional property related costs*	(249)	-	-	-	(249)
Profit before taxation	5,681	1,408	(466)	(348)	6,275

Year ended December 2019	Corporate London	Institutional	Corporate Toronto	Alpha Payment Solutions	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	27,217	6,286	855	1,020	35,378
Underlying operating profit	12,624	3,635	(664)	(860)	14,735
Share-based payments	(466)	(31)	-	-	(497)
Finance (costs)/income	(112)	(15)	-	(8)	(135)
Exceptional property related costs*	(555)	(3)	-	-	(558)
Profit before taxation	11,491	3,586	(664)	(868)	13,545

*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.

Revenue by product	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 Dec 19
	£'000	£'000	£'000
Foreign exchange spot transactions	5,320	2,442	7,826
Foreign currency forward transactions	9,586	12,315	24,849
Payments and collections**	931	95	507
Option contracts	2,169	704	2,196
Total	**18,006**	**15,556**	**35,378**

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

4. Operating profit

Operating profit is stated after charging/(crediting):

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 Dec 2019
	£'000	£'000	£'000
Lease rentals	527	576	1,072
Depreciation of owned property, plant and equipment	214	40	204
Amortisation of internally generated intangible assets	158	114	248
Loss on disposal of fixed assets	-	-	47
Depreciation of right-of-use assets	403	91	485
Staff costs	7,070	5,747	12,804
Estimated probability of client default in relation to Norwegian client	483	-	-
Exceptional property related costs	-	249	558

Net foreign exchange losses/ (gains)	93	(85)	38

5. Finance income and costs

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Finance income			
Interest on bank deposits	13	42	62
Other interest receivable	18	-	19
Total	31	42	81
Finance costs			
Finance cost on lease liabilities	(163)	-	(216)
Finance cost to discount client receivable to net present value	(1,007)	-	-
Total	(1,170)	-	(216)

6. 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.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 Dec 2019
Basic earnings per share	8.9p	12.9p	27.7p
Diluted earnings per share	8.7p	12.8p	26.9p
Underlying - basic	9.5p	14.0p	30.1p
Underlying - diluted	9.3p	13.9p	29.2p

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

	Six months ended 30 June 2020 No.	Six months ended 30 June 2019 No.	Year ended 31 Dec 2019 No.
Basic weighted average shares	38,465	36,874	36,991
Contingently issuable shares	880	342	1,093
Diluted weighted average shares	39,345	37,216	38,084

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

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Profit after tax for the period	3,744	5,094	11,020
Non-controlling interests	(333)	(334)	(760)
Earnings - basic and diluted	3,411	4,760	10,260
Exceptional property related costs	-	249	558
Tax effect	-	(44)	(95)
Share-based payments	201	206	497
Deferred tax asset impact of share-based payments	57	(8)	(81)
Earnings - underlying	3,669	5,163	11,139

7. Dividends

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Final dividend for the year ended 31 December 2018 of 4.6p per share	-	1,708	1,708
Interim dividend for the year ended 31 December 2019 of 2.2p per share	-	-	816
	-	1,708	2,524

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

On 30 March 2020 the Company announced that the Board had decided to cancel payment of the final dividend for the year ended 31 December 2019 that was due to be paid on 13 May 2020.

8. Trade and other receivables

Trade receivables represent the fair value of derivative financial assets arising as a result of matched principal transactions and are shown net of the Credit Value Adjustment.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Foreign currency forward and option contracts with customers	53,992	31,257	34,041
Foreign currency forward and option contracts with banking counterparties	1,335	1,674	8,045
Other foreign exchange forward contracts	1,606	-	453
Trade receivables (derivative financial asset)	56,933	32,931	42,539
Other receivables	2,587	1,446	2,434
Prepayments	840	1,047	480
	60,360	35,424	45,453

9. 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.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Cash and cash equivalents	116,605	59,360	73,960
Variation margin called by counterparties	26,741	41	1,127
Other cash balances	3,642	3,060	3,867
Total cash	146,988	62,461	78,954

10. Trade and other payables

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

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.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Foreign currency forward and option contracts with customers	18,754	12,093	22,199
Foreign currency forward and option contracts with banking counterparties	-	1,245	83
Other foreign exchange forward contracts	-	206	-
Trade payables (derivative financial liabilities)	18,754	13,544	22,282
Other payables	80,420	29,163	41,873
Other taxation and social security	592	635	1,084
Lease liability	293	286	293
Accruals and deferred income	2,263	2,050	2,524
	102,322	45,678	68,056

11. Share capital

The following movements of share capital occurred in the 6 months to 30 June 2020:

	Ordinary shares No.	Nominal value £'000
As at 1 January 2020 - shares of £0.002 each	37,123,956	74
Shares issued on placing	2,941,177	6
As at 30 June 2020	40,065,133	80

[1] Underlying excludes the impact of exceptional property related costs in the prior year and non-cash share-based payments

[2] 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.

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