FairFX

# Effective money management

## Corporate and retail

FairFX Group Plc | Annual Report 2018

FairFX is a leading payment services provider to the retail and corporate segments of the UK market. A key differentiator for the Group is the breadth of products that we can offer, comprising physical cash, prepaid travel solutions, a corporate expense management platform, international payments and, most recently, a bank-grade current account offering. We are also unique in offering this across both app-based and web-based platforms that work on all devices.

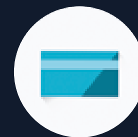
# A service which fits with the changing needs of consumers and businesses:

## User-centric offering

We build all of our technology with the consumer in mind

## Low-cost operating model

We are a high growth, profitable business



## Innovative products

Expanding portfolio of differentiated products and services

# 2018 highlights

**Turnover**

**+111%**
**£2.3bn**

**Revenue**

**+69%**
**£26m**

**Gross profit**

**+72%**
**£20.5m**

**EBITDA adjusted**

**+687%**
**£7.5m**

## Strategic Report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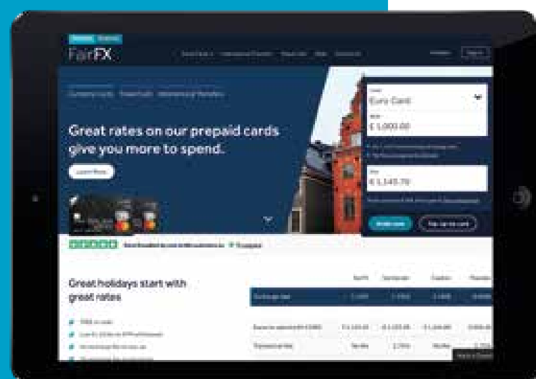


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fairfxplc.com

# Growing our customer base, broadening our offering and further establishing ourselves in the digital banking sector.

## About FairFX Group

**FairFX is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior customer experience and low-cost operating model.**

Our products enable personal and business customers to make easy, low-cost payments both domestically and in a broad range of currencies via one integrated system. The FairFX platform facilitates payments either direct to Current Accounts or at 35 million merchants via mobile apps, the Internet, SMS, wire transfer and Mastercard/VISA debit cards.

FairFX provides money movement services to both personal and business customers through four channels: Currency Cards, Travel Cash, Corporate Expenses International Payments and Current Accounts. The Currency Card and Travel Cash offerings facilitate overseas payments at points of sale and ATMs whereas the International Payments channel supports wire transfer foreign exchange transactions direct to Current Accounts. For corporates, FairFX has a market-leading Expenses solution based around its corporate platform and prepaid card. This service can yield significant savings on expenses and procurement both domestically and overseas, through better controls and improved transparency. The platform also streamlines the administrative processes and integrates into accounting software, thus saving costs. The FairFX Group offers retail and business Current Accounts with functionality such as faster payments, BACS, CHAPS, direct debits, international payments and debit cards.

**2007**

**FairFX is founded** with the aim of giving FX consumers a better deal using technology. We start offering Prepaid Currency Cards to UK consumers.

**2010**

We introduce **Prepaid Corporate Expenses Cards**, providing a simple and flexible expense solution that enables companies to stay on top of business spending.

**2011**

**FairPay launches,** offering a fully automated online money transfer solution for the general public, at business level exchange rates.

**2012**

FairFX becomes the first UK currency specialist to release a **mobile banking app**.

### We believe
You get more out of life when you get more out of your money.

### Our goal
To create a world where managing money is as intuitive as simple addition, so everyone can get more out of life.

### What we do
We create financial services that outperform by using the power of customer-centric ingenuity.

**2014**

The Group becomes an **AIM-listed** company on the London Stock Exchange.

**2015**

FairFX sponsors the **Formula 1** on Sky Sports.

**2017**

The FairFX Group adds to its offering by **acquiring CardOneBanking** in Chester, a digital banking services provider to small businesses and retail consumers.

**2018**

The Group **acquires City Forex**, which provides International Payments and Travel Currency to both business and consumers through its proprietary platform and its three central London based branches respectively.

# 1 million customers

In 2018, the FairFX Group surpasses the 1 million customer mark.

# We are delighted to report a year of strong performance in line with our strategy, combined with further investment in technology to support future growth.

**Trading performance**
2018 was a milestone year for FairFX: our turnover for the year more than doubled to exceed £2 billion, and in August we passed the 1 million customer mark. Turnover – measured by the gross value of currency transactions sold, plus the gross value of customer funds deposited into Current Accounts – reached £2.37 billion, in line with our expectations and represented an increase of 111% on the prior year (2017: £1.12 billion). Excluding the effect of the acquisitions of City Forex in February 2018, turnover grew by 55.0%.

Group revenue increased by 68.8% to £26.1 million (2017: £15.5 million). On a like for like basis (excluding the effect of the acquired City Forex) the increase was 39.4% to £21.5 million. The percentage growth in revenues was lower than the corresponding growth in turnover, as a key part of the growth stemmed from International Payments (increase of 69%) and Corporate Expenses (increase of 31%), which have lower revenue margins than Currency Cards. Revenue growth overall was underpinned by the Group adding 315,000 new UK-domiciled customers during 2018, bringing the total to over 1 million.

Gross profit grew by 72% to £20.5 million (2017: £11.9 million) a higher percentage growth than the revenue line. Excluding the City Forex acquisition in February, gross profit was £16.8 million (an increase of 40.4%). This reflects margin enhancements delivered by the success of our strategy of supply chain rationalisation and improved management of direct costs, which is continuing into 2019. Accordingly, operating expenses increased by only 40% relative to the previous year, materially lower than the percentage increase in revenues.

**Ian Strafford-Taylor**
Chief Executive Officer

## Adjusted EBITDA/PBT Calculation

| | 2018 £ | 2017 £ |
|---|---|---|
| Statutory Net Profit | 2,617,666 | 447,136 |
| Amortisation of acquisition intangibles | 794,959 | 220,325 |
| Other amortisation charges | 523,690 | 792 |
| Depreciation costs | 200,123 | 51,727 |
| Tax credit | (538,343) | (217,687) |
| EBITDA | 3,598,095 | 502,293 |
| Acquisition-related costs | 297,484 | 269,769 |
| Share-based payments | 53,765 | 112,961 |
| Foreign exchange loss | 20,274 | 68,186 |
| Development costs (2) | 1,404,962 | – |
| Restructuring costs (3) | 1,048,119 | – |
| Marketing rebrand (4) | 590,034 | – |
| Recruitment costs (5) | 499,617 | – |
| Adjusted EBITDA | 7,512,350 | 953,209 |
| Other amortisation charges | (523,690) | (792) |
| Depreciation costs | (200,123) | (51,727) |
| Adjusted PBT | 6,788,537 | 900,690 |

(1) Acquisition-related costs relate to the acquisition of subsidiaries (note 12) during the year. These include due diligence services, accounting services, legal services and stamp duty.
(2) Development costs relate to incremental, non-recurring staff costs incurred to support the substantial software development undertaken in the year.
(3) Restructuring costs relate to one-off non-recurring costs incurred including property reorganisation, staff costs and costs to cancel contracts (no longer required by the Group as a result of acquisition of subsidiaries).
(4) Marketing rebrand costs relate to the one-off non-recurring costs attributable to the Group rebranding. These consist of consultant services, legal services and staff costs.
(5) Recruitment costs relate to one-off costs incurred in the significant scaling up the Group's workforce.

Adjusted EBITDA was £7.5 million for the 12-month period (2017: £1.0 million) an increase of 687%. The growth in EBITDA reflects the operational gearing that the Group now has with a significant retention of revenue growth flowing down to profits.

The statutory PBT of £2.1 million (2017: £0.2 million) is a significant uplift on the prior year and follows a similar theme, deriving from tremendous growth in revenue both organically and through acquisition whilst driving down supply chain costs and removing duplication where appropriate from overheads. Similarly, the adjusted PBT of £6.8 million (2017: £0.9 million) demonstrates our operational gearing and ability to take advantage of further growth without needing to add significantly to overheads. Basic earnings per share increased to £1.68 (2017: 0.37p) as a result of the significant increase in profitability.

**John Pearson**
Chairman

Management has presented adjusted EBITDA and adjusted PBT because it monitors these performance measures at a consolidated level and it believes that they are more relevant to an understanding of the Group's sustainable financial performance than statutory profit figures. Adjusted EBITDA and adjusted PBT are calculated by adjusting statutory net profit as disclosed in the table below. Adjusted EBITDA and adjusted PBT are not defined performance measures in IFRS. The Group's definition of adjusted EBITDA and adjusted PBT may not be comparable with similarly titled performance measures and disclosures by other entities.

Overall, the Group balance sheet remains healthy, with net assets of £38.3 million (2017: £35.0 million). Non-current assets rose to £30.1 million (2017: £18.3 million) which is due to the combination of fair value accounting on the acquisition of City Forex, where intangible assets and goodwill totalled £5.0 million, and the significant increase in capital expenditure of £6.4 million (2017: £0.3 million). As a FinTech business, the Group has been investing in its platforms and infrastructure since its inception. Due to the substantial growth, acquisitions of two new businesses in two years (each with different technology stacks) and increased competition in the markets in which we operate we have significantly increased investment into technology in 2018 and will continue to do so. As we have communicated previously, we recognised in 2017 that one of the core strategies for our future success and growth was to invest more in our platform and products. Therefore, in keeping with our peers and within guidelines of accounting practice we are now adopting the same policy of capitalisation of investment into internally generated software which can then be depreciated over the asset-life of the products and platforms that we create. In 2018 this amounted to £5.2 million of the total of £6.4 million of capital expenditure, which represents the combined investment across the whole Group.

The Group's cash position at year-end was £7.9 million (2017: £17.8 million – re-stated from £52.0 million by de-recognising cash held on behalf of customers) at the end of 2018. The Directors believe that this reporting of cash and cash equivalents gives a more informed view of the Group's cash position. The de-recognition of the cash held on behalf of customers also impacted the corresponding liability and so trade and other payables in 2017 was re-stated from £38.6 million to £4.4 million. With regards to the decrease in cash year on year, this was due primarily to the acquisition of City Forex for £6.0 million cash, an increase in capital expenditure described above and an increase in collateral requirements with financial institutions in the supply chain to £1.6 million (2017: £0.9 million).

***We will continue to expand our offering to corporates during 2019: we have a strong development pipeline of new functionality and improved customer experience***

### External market trends

Our performance in 2018 is particularly commendable considering the challenges in the external market and this has demonstrated the strength and durability of the Group. On the consumer side, Currency Cards were impacted by the exceptionally hot summer in the UK, which suppressed demand for overseas holidays. The sustained weakness of sterling in the context of the ongoing uncertainty in relation to Brexit also presented headwinds. In addition, there was strong competition in the retail market space from challenger brands offering discounted pricing to attract customer numbers. Despite these factors, performance for our retail products has held its own and with the investments made in the customer experience and back end operations, the Currency Cards products are well placed for the future as we have seen in 2019 to date.

Business customer growth continues to be strong, underpinned by the continuing strength of our Corporate Expenses platform. This is a core, differentiating product for the Group and gives us an "entry product" into corporates from which we can sell other services, such as international payments and banking services. We will continue to expand our offering to corporates during 2019 and have a strong development pipeline of new functionality and improved customer experience.

***Q Money and CardOneBanking acquisitions were completed in 2017, City Forex was completed in 2018***

# Strategy

The current business strategy took shape in 2017, when we recognised the need to invest more into our technology and prepare the business for the next phase of its growth. This investment was targeted to achieve three key components of the overall strategy, namely differentiation, efficiency and scale.

## Differentiation

**A key differentiating factor for the Group is the breadth of products that we can offer, comprising physical cash, prepaid travel solutions, a corporate expense management platform, international payments and, most recently, a bank-grade current account offering. We are also unique in offering this across both app-based and web-based platforms that work on all devices.**

Lastly, but crucially, we allow customers to "self-serve" but also to speak directly to FairFX experts if they want to transact with human interaction. This broad offering is underpinned by a technology platform that is much deeper than those of our competitors in terms of direct integration to underlying payment schemes. This gives us both operational and economic advantages which widen our differentiation. Our strategy has been to consolidate this already unique offering and augment it further by converging the products with the objective of a group-wide unified view of a customer combined with seamless customer experience for the customers to access any or all of the products via one user journey. We have made great strides in this area in 2018 and will be deploying more functionality that fits this strategy in 2019.

In addition, two years ago, concurrent with our commitment to invest more into our technology, we recognised we needed to differentiate FairFX from the increasing competition in the form of so-called challenger brands. A key part of this was the recognition that we needed to broaden our product suite to reduce our reliance of the foreign exchange sector, and the success of this strategy is reflected in the proportion of revenues derived from non-FX activities for the 2018 financial year, which reached 33%, compared to 22% in 2017 and 10% in 2016.

The acquisition of an e-money licence in 2017 was our first step towards increasing diversification in earnings by becoming a digital banking services provider. Subsequently, acquiring CardOneBanking in August of that year accelerated our plans in the sector. We identified that banking in general for the Corporate market, but particularly in relation to SMEs, was still heavily under-served by the mainstream banks. Given the success of our Corporate Card platform, itself a predominantly non-FX product, we already had a strong presence in that market segment and our announced strategy was to develop better banking products for this customer profile. A key step on that journey was the launch of the Fair Everywhere business current account in June 2018, leveraging our expertise in international payments and our new banking capabilities. Fair Everywhere allows businesses to manage their day-to-day banking and international money transfers from a single current account to make global business banking easier, faster and cheaper than with traditional providers. In 2019, we will further enhance the customer experience of our banking platforms and add functionality to support larger corporate clients. In addition, we are exploring ways to add lending to our proposition, by using credit supplied by a third-party bank or credit provider direct to our customers under a Credit Broker licence. As such we will not be incurring any credit risk and the loans will not sit on our balance sheet.

We will also be adding further enhancements, both new functionality and improved customer experience, to our Corporate Expenses platform during 2019 to fuel its continued growth. These measures will ensure that our revenues from non-FX related activities will continue to grow in 2019 and beyond.

## Efficiency

**A core strand of our strategy centres on initiatives to generate efficiencies, through increasing scale and bringing in-house selective parts of the supply chain with the aim of reducing our costs, enhancing quality, optimising risk and increasing our speed to market for new products.**

Increasing efficiency requires building additional capabilities into our platforms and, as such, we have a dedicated platform engineering team adding functionality across the Group augmented by an API engineering team that provides the communication layer between back-end and front-end technologies and applications. An example of their success in bringing processes in-house was the extensive project to achieve access to real-time gross settlement (RTGS) accounts with the Bank of England and concurrent direct membership of the Faster Payments scheme, as announced in February 2019.

Gaining full membership status of Mastercard in December 2017 allowed us to issue our own cards rather than paying a third-party provider. In practice, this takes time to fully implement without extensive re-carding of current cards, but the process has begun by moving CardoneBanking cards to self-issuance in 2018. The ability to self-issue provides us with greater leverage over the existing supply chains and we have utilised this, together with continually streamlining the incumbent supply chain itself to improve margins in the Group's Corporate Expense platform and anticipate that we will have completed this in Q2 2019. Concurrently, we are improving the commercial arrangements we have in all other product streams and as such we expect further improvements in gross profit margins as the year progresses.

A key enabler for enhancing our efficiency was the acquisition in February 2018 of City Forex, which had undertaken Travel Cash operations for us since 2007 but also had a strong international payments business. In addition to bringing further scale in international payments and International Payments and Travel Cash, the acquisition also enabled us to control the entire supply chain for the Travel Cash service. City Forex has three branches in central London (which currently continue to operate under that brand) and a proprietary system for processing both travel currency and international payments. The Group has taken this platform (MTS) and invested in it further by establishing an engineering team around it, such that it now provides a front-to-back integrated solution for international payments. The platform encompasses trade entry, settlements, reconciliation and direct integration into a general ledger which yield significant efficiencies and capacity for growth.

2018 saw continued investment in the CardOneBanking business and platform, part of which came to fruition in February 2019, as mentioned above, with RTGS and direct membership of the UK Faster Payments Scheme (FPS). FPS is the fastest growing UK payment system and the only real-time 24/7 service that is in increasing demand from personal and business customers using both desktop and mobile applications. The FPS membership continues the Group strategy of streamlining the payment supply chain and will deliver lower payment processing costs, improved customer experience and facilitate product iteration. In addition, our membership of SWIFT has further reduced our reliance on third parties.

We are now able to offer retail and business Current Accounts that include faster payments, BACS, direct debits, international payments and a debit card, and can create IBANs for customers with no other financial institution involved in the process, reducing cost per transaction.

We are also looking to integrate our internal operations by increasing the utilisation of our banking platform in Chester, which over time will become our operational hub for back end settlements to support all the card-based products and provide banking services to the Group such as processing faster payments.

## Scale

**A key goal in the payments industry is to maximise scale. The greater the scale of the business you process the lower the unit cost becomes and removal of sections of the supply chain become economically viable. Scale can be achieved both by organic growth and acquisitions.**

To drive organic growth, one of our key strategies has been to invest in improving the customer experience of all our products. In the Corporate Platform this has manifested in us adding new features including multi-card top-up, a receipt upload functionality, VAT reporting and the ability to annotate expenses on-the-go via the app. These product enhancements significantly contributed to accelerated year-on-year growth rate of 31%. We also added functionality to the City Forex platform to improve the customer experience for international payments. Alongside our product development efforts, we are mindful to retain the element of human interaction in our customer support function. This is a source of differentiation for the Group, and we are proud that our high-quality customer service is recognised in our consistently excellent 5-star TrustPilot rating. In relation to our Currency Card product, the investment focus has been to improve the underlying platforms in 2018 so that we can iterate new products and improve customer experience quickly and consistently in 2019 and beyond.

A key element of our organic growth strategy is our ongoing work to identify and capitalise on the rich vein of cross-selling opportunities we have within the Group following the combination of three businesses in 18 months. We have established a dedicated cross-sale team within the Group identifying the key opportunities and implementing the necessary systems and CRM to maximise the potential. We have also scaled up our affiliate sales team and outbound sales efforts. Specifically, in the SME space, with over with 0.6 million businesses set up every year in the UK on average, there is promising growth potential from providing existing and new SME customers with current accounts, our business expenses solution and other ancillary services. In contrast to traditional banks, our lean cost base means that small businesses are an attractive segment for us, and we can offer customers a superior user experience at a lower cost due to our low-cost operating model.

To complement the measures above we have continued to maintain our marketing spend in 2018. The mix of spend has evolved to be less focussed on TV advertising and more in the digital and social arenas. We maintain strict controls over the ultimate cost per acquisition (CPA) of a customer to ensure profitability. However, we have improved our knowledge of our customer base over 2018 and have tailored our customer messaging accordingly to improve not only customer acquisition but also retention and re-activation. These measures, allied to the improved cross-selling initiatives described above, helped growth in 2018 and will drive future expansion in 2019.

To complement the organic growth initiatives outlined above, we have also looked to extend our addressable market by expanding our geographical presence. During the year we upgraded our FairFX Ireland entity in preparation for a full-service operation with an authorised payment institution (API) status. Working to provide our full suite of services out of the Irish subsidiary will have the added benefit of providing a natural hedge for all the potential outcomes of the Brexit process. For clarity, any outcome of Brexit, including a "no-deal" outcome, would not impact the ability of the Group to operate as we do currently because we are focussed on provision of services to UK customers and are not utilising any passporting of permissions within the EU at this time. At the end of 2018 we also made a significant step towards being able to service current demand from US citizens and businesses that we are not able to transact. Constrained by regulatory permissions, we had long been conscious of having to turn away transactions involving US citizens and businesses and so we are delighted to have entered a relationship with Metropolitan Commercial Bank, headquartered in New York City. The commercial agreement is expected to allow us to offer customers payment services across the United States. We are looking forward to servicing the latent demand for our services from US residents and entities, and, in the longer term, to evaluating options to develop a customer base in the United States in due course.

# People and culture

**We have grown from around 60 people 18 months ago to a team of 218 in 2018. This reflects a number of factors including organic growth, new businesses being brought into the Group and significant investment in our platforms resulting in more headcount in Engineering, Product and Design.**

Accordingly, during the year we invested in the key area of People Operations as we recognise how vital it is to have a working environment that is welcoming and inclusive. Success in this area yields an improved ability to hire and retain talent combined with a more motivated workforce. As we have grown we have put in place more formal processes covering people operations as a whole. These include the recently introduced weekly 'Highlights sessions' together with an open question forum to the Executive team, and bi-annual 'Basecamp' sessions to communicate with employees across the Group and "Career Camps" to help train managers in the Group on how to get the best from their people. In addition, we regularly monitor our employee engagement and we were pleased to receive an employee satisfaction score of 69.2% in our inaugural pulse survey in December and are working on areas identified for improvement. During the year we also formally articulated our core values (outlined across), which underpin how we behave internally and do business.

# Our values

***Make it happen***

***Add heart***

***Succeed together***

***Be brave***

Our values are combined with a fundamental element of our culture, compliance. We have a rigorously tested set of compliance and anti-money laundering rules, which are verified as part of regular, voluntary, independent external audits. Being granted settlement accounts with the Bank of England and becoming a direct participant of the Faster Payments Scheme (only the fourth non-bank to achieve this) are further achievements that show the robustness of our systems and processes.

**Governance**

Corporate governance is an important function of the Board and the respective committees. During the year the Board commissioned an external corporate governance advisor to carry out a corporate governance risk assessment. The Board is well advanced in implementing the advice of this assessment to further enhance governance and expects to complete the exercise by mid-2019.

In addition, during 2018 the Board adopted the Quoted Companies Alliance (QCA) corporate governance code which defines ten guiding principles to support the Group's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders. More details on the adoption of the QCA code can be found on the Company's website (www.fairfxplc.com), and in the Corporate Governance Report on page 20.

# Risks

**The Group Risk Committee is an internal committee responsible for oversight of all aspects of risk management including maintaining a risk register where risks are identified, evaluated and where appropriate mitigations put in place. The actions of the risk committee are a standing item on the Board agenda. In the table below are highly rated risks and the controls in place to mitigate them.**

The Group currently does not yet operate a "three lines of defence" model. Nor does it have a formal internal audit department. Given the scale of the Group, the audit committee believes this is acceptable now but needs to be kept under review. The audit committee appointed various third parties to give independent opinions on chosen topics that are regarded as potentially higher risk (for example, cyber security, money laundering).

## Inherent Risk

| Risk |
|---|
| Data integrity and security |
| Business Continuity/ Disaster Recovery |
| Fraud |
| Banking arrangements and relationships |
| The Group faces significant competition |
| Operational Liquidity |
| Failure of key suppliers impacts performance |
| Macro environment including impact of Brexit |
| IT platform re-build |

## Residual Risk

| Description of Risk | Control |
|---|---|
| Losses from a cyber-attack or other associated malicious events | → Appointed a Chief Information Officer with responsibility for data security and data governance<br>→ Setup a Security Council with Group wide participants to monitor all aspects of security in the Group<br>→ Regular penetration testing, training and awareness, system access controls and encryption, physical security |
| Business disruption and potential business failure. | → Detailed Business Continuity Plan and Disaster Recovery Plan tailored to each entity<br>→ Regular testing<br>→ Increased adoption of cloud-based services (AWS) |
| Financial loss, reputational risk, potential to lose customers and reduce growth, supplier chain risk | → Senior management awareness<br>→ Staff training<br>→ Fraud reporting to risk committee<br>→ Automated transaction monitoring<br>→ Appropriate people in fraud roles to oversee and manage fraud risk |
| → Loss in one or more banking partners could result in disruption and eventual business failure.<br>→ Loss of Agency Banking services | → From February 2019, the Group became a direct member of Faster Payments and have banking arrangements with the Bank of England which mitigates the risk of losing agency banking services<br>→ Group expects to add further banking partners in 2019 |
| A reduction to competitive advantage resulting in slower business growth and ultimately financial loss. | → Engineering development to maintain research & development and innovation<br>→ New products<br>→ Improved customer experience to enhance usability of products – IT development to maintain research & development and innovation<br>→ Maintain relationship and traffic from key price comparison sites<br>→ Quality of people in business<br>→ Maintain company reputation<br>→ Investment in Marketing and Product development<br>→ Increased Investment in IT development<br>→ Increased sales development<br>→ Review of costs to ensure cost efficiency |
| → Ability to settle trades in the correct currencies as they fall due.<br>→ Incorrect hedging resulting in cashflow needlessly being tied up in foreign currency or overdrawn accounts. | → Operational monitoring through controls in trading platforms and strict hedging policies and controls<br>→ Automated hedging platform augmented by human oversight<br>→ FIX engine links to liquidity providers<br>→ Daily reconciliations of FX positions |
| Loss of productivity, potential to lose customers and reduce growth. | Carry out regular review of supplier performance and seek alternatives where necessary. |
| Loss of revenue, operational resilience | Monitor key performance indicators, increased controls on expenditure and large single expenditure commitments |
| Out of date technology which results in development delays | Re-platform tech stacks in more modern computer language and move away from on -premise solution to cloud |

### Dividend

The Board does not recommend the payment of a dividend for 2018, since our capital allocation strategy at this stage is focused entirely on investing in the business to achieve our growth and efficiency objectives. However, the Board will continue to keep this under review.

### Brexit Assessment

#### Business Model

The Group provides financial services to its customers, so no goods are supplied except for physical prepaid and debit card stock. All the Group's customers and primary suppliers are UK based so there is no material impact on cross border supplies of services or goods between the UK and the remaining members of the European Union (EU) post the UK leaving the EU. The Group holds regulatory licences that can be passported throughout the EU. The right to passport the regulatory licences to the remaining members of the European Union (EU) post the UK leaving the EU may be lost.

#### Revenue

To date, all FairFX revenues are derived from customers based in the UK. There is therefore no regulatory impact on the current or near future revenue of FairFX due to the loss of regulatory passporting permissions to the EU. Clearly, any negative macro-economic effects of Brexit could impact the business, but the Group has a robust operation and revenue stream and hence the Board are confident in the prospects for the business regardless of the outcome.

#### Supply Chain

The Group does not import any goods from outside the UK and all the critical suppliers of services are provided by UK based suppliers. Therefore, no material impact is expected on the Group post Brexit in any of the deal scenarios.

#### Staff

The workforce is comprised of less than 10% EU nationals and with the UK government committing to providing right of work to existing EU nationals, no material impact is expected in any of the deal scenarios.

#### Macro-Economic Impact

The Group has stress tested the impact of various Brexit scenarios on the Group's 2019 business plans and concluded that with appropriate mitigations, there are no material negative impacts on the business model.

## Outlook

Our strong performance to date would not have been possible without the hard work and dedication of the FairFX team, who we wish to thank on behalf of the Board.

The acquisitions we made combined with the significant investments into improved platforms and efficiency made in 2017 and 2018 have given the business a solid foundation upon which to grow. We have a compelling proposition for our corporate and retail customers, built on integrated services that are intuitive to use and competitively priced, and we will continue our investment programme to improve the customer experience and reinforce the strengths of our business.

2019 has started well as demonstrated by the performance in Q1, with turnover for the first 3 months of 2019 at £620.5 million (2018: £467.2 million), an increase of 32.8%. Growth has been driven by expansion in International Payments, up 37.9% to £323.7 million (2018: £234.7 million), and our Corporate Expenses platform, which climbed 36.5% to £46.6 million (2018: £34.1 million). Revenues have increased at an even faster pace, rising 43% to £7.0 million (2018: £4.9 million) demonstrating the success of our supply chain rationalisation. The agreement of commercial terms with Metropolitan Commercial Bank is expected to open up promising opportunities in the US market to complement our operations in the UK and drive further growth for the Group as the year progresses.

Against this background, the Board is confident of achieving expectations for the full year.

We are well capitalised, have a capable team and a clear strategy to continue to create value for our stakeholders, and are excited about the future.

John Pearson
Chairman
*25 April 2019*

Ian Strafford-Taylor
Chief Executive Officer
*25 April 2019*

# A strong and dynamic board

## John Pearson

Independent Non-Executive Chairman
(date of appointment: 21 November 2014)

**Committees:**
Audit Committee, Remuneration Committee

John has considerable experience in the digital, media and broadcast industries. He was co-founder and CEO of Virgin Radio for 13 years. He was also Chairman of Shazam Entertainment, a smartphone-based music identification service; co-founder of World Architecture News.com; and a Director of Ginger Media Group. John is also Chairman of Imagen Video Asset Management and a Board Director of Mirriad Advertising PLC.

## Ian Strafford-Taylor

Chief Executive Officer
(date of appointment: 4 March 2014)

Ian is one of the Founders and has been a Director since 2007. He has held several senior banking roles, including Business Unit Controller and Head of International Securities Lending at Morgan Stanley, where he worked from 1985 to 1992. Following this, he moved to UBS where he worked for 13 years as Managing Director and Global Head of Securities Borrowing & Lending, Fixed Income Repo and Prime Brokerage. Ian is a chartered accountant, qualifying with Arthur Andersen in 1985.

## Robert Head

Independent Non-Executive Director
(date of appointment: 20 July 2016)

**Committees:**
Audit Committee, Remuneration Committee

Robert has held a variety of management roles including Regional Director for Old Mutual's African interests, the joint founder of egg.com and the first CEO of smile.co.uk. His most recent roles were that of a Special Advisor to the Commissioner of SARS (South African Revenue Service) and prior to that CEO of Old Mutual's Wealth Management Division. He was recently acting Chief Financial Officer of South African Airways. Robert is a chartered accountant as we as an Associate of the Chartered Insurance Institute and a Fellow of the Chartered Institute of Bankers.

## Ajay Chowdhury

Independent Non-Executive Director
(date of appointment: 28 July 2014)

**Committees:**
Audit Committee, Remuneration Committee

Ajay is an experienced company director with expertise in digital media, digital retail, online and mobile industries. He is Partner and Managing Director of BCG Digital Ventures and was previously CEO of Seatwave Limited, an online ticket sales marketing company, Executive Chairman of a multi-channel marketing company, ComQi Group and Chairman of Shazam. Ajay is also currently a Trustee of Historic Royal Palaces.

# CORPORATE GOVERNANCE REPORT

## Dear Shareholders

As Chairman of the Board of Directors of FairFX, it is my responsibility to ensure that FairFX has both sound corporate governance and an effective Board. As Chairman of FairFX, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

The Directors recognise the value and importance of high standards of corporate governance and so the Board has adopted the Quoted Companies Alliance Corporate Governance (QCA Code) in line with the London Stock Exchange's recent changes to the AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. The report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code in all respects, and details of the Company's compliance can be found on the Company's website.

The Board understands that application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders. FairFX is committed to promoting a socially responsible corporate culture, illustrated through its internal values and policies, as well as external supplier and shareholder engagement.

FairFX seeks to constantly improve its corporate governance practices, illustrated this year through the Company's formal adoption of the QCA Code and the formation of a Nomination Committee.

### QCA Principles

A description of the Company's business model and strategy can be found on page 8, and the key challenges in their execution can be found on page 14.

### Board of Directors

The Board is responsible for the overall management of the Group including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of the Group's operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. Whilst the Board may delegate specific responsibilities, there is a formal schedule of matters specifically reserved for decision by the Board; such reserved matters include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The Board meets formally on a regular basis to review performance.

### Role of the Board

Reports relating to the activities of the audit committee and remuneration committee are included within the Annual Report.

### Effectiveness

The Board has reviewed the independence of the Chairman and each of the Non-Executive Directors ("NEDs") and considers them to be independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. The Board paid particular attention to each of the NEDs having share options. These were granted at a time when the company was not profitable and needed to conserve cash flow. In the view of the Board the options are neither material to each of the NEDs nor the Company and each of the NEDs is very aware of their obligations to all stakeholders.

The Non-Executive Directors are each expected to dedicate approximately 18 days per annum and otherwise such time as required.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

The Company is committed to maintaining a healthy dialogue between the Board and all its shareholders to enable shareholders to come to informed decisions about the Company. The Chairman is generally available to shareholders, and the AGM presents shareholders with an additional opportunity to communicate with the Board. The AGM is attended by the Board and is open to all the Group's shareholders.

At the Annual General Meeting held on June 5th, 2018, the proposed resolutions received the following proportion of votes:

| | In Favour | Opposed | Withheld |
|---|---|---|---|
| Adoption of 2017 Annual Report and Consolidated Financial Statements | 100.00% | 0.00% | 0.00% |
| Re-appointment of KPMG LLP as auditor to the Company and authority for the Directors to set the auditors' remuneration | 99.92% | 0.08% | 0.00% |
| Re-election of John Pearson as a Director of the Company | 95.10% | 0.02% | 4.88% |
| Re-election of Ian Strafford-Taylor as a Director of the Company | 99.99% | 0.00% | 0.01% |
| Re-election of Ajay Chowdhury as a Director of the Company | 95.10% | 2.28% | 2.62% |
| Authority to allot shares | 99.91% | 0.08% | 0.01% |
| Dis-application of pre-emption rights | 99.90% | 0.09% | 0.01% |

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee and formally delegated duties and responsibilities as described below. The attendance record of each relevant Director at Board and committee meetings during 2018 is as follows:

| | Board 7 Meetings | Audit Committee 3 Meetings | Remuneration Committee 2 Meetings | Nomination Committee |
|---|---|---|---|---|
| John Pearson | 7 | 3 | 2 | 1 |
| Ian Strafford-Taylor | 7 | n/a | n/a | n/a |
| Ajay Chowdhury | 7 | 3 | 2 | 1 |
| Robert Head | 7 | 3 | 2 | 1 |

Anthony Quirke is the Company Secretary for FairFX. He is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. ONE Advisory Limited also provides additional Company Secretarial and Corporate Governance support, as well as assistance with MAR compliance.

## Culture

The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities are centred upon an open and respectful dialogue with employees, suppliers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

This can be demonstrated through FairFX's Group-wide values: Make it happen; Add heart; Succeed together; and Be brave. The values are in line with the Company's business pillars and brand values and will help guide the Company's behaviour. These values promote the healthy corporate ethos of effective communication and encouraging an 'ideas culture'. The Company believes such values are important when it comes to creating a strong and consistent internal culture, as well as being essential to driving the Company's overall success as a business. FairFX has undertaken an employee engagement survey, which provided staff with the opportunity to provide feedback on the values. The adoption of these values, as well as the distribution of staff handbooks and employee workshops, illustrate the Company's commitment to promoting a healthy corporate culture.

More information on the Company's People and Culture can be found on page 12.

## Audit committee

The audit committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The audit committee comprises Robert Head, Ajay Chowdhury and John Pearson and is chaired by Robert Head. The audit committee will meet at least 3 times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also meets regularly with the Group's external auditor.

The audit committee report is included on page 23.

## Remuneration committee

The remuneration committee is responsible for determining and agreeing with the Board the framework for the remuneration of the chairman, the executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non- executive Directors is a matter for the Board. No Director is involved in any decision as to his or her own remuneration.

The remuneration committee comprises Robert Head, John Pearson and Ajay Chowdhury and is chaired by Robert Head. The remuneration committee will meet at least twice a year and otherwise as required.

The remuneration committee report is included on page 25.

## Nomination committee

In late 2018, the Board separated out the function of a nomination committee from the Board agenda. The committee meet once in 2018 to formulate the terms of reference and will meet at least twice a year and otherwise as required. The nomination committee comprises John Pearson, Robert Head and Ajay Chowdhury and is chaired by John Pearson.

## Share dealing code

The Company has adopted, with effect from Admission, a share dealing code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, dealing during close periods in accordance with Rule 21 of the AIM Rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM. The Company will take proper steps to ensure compliance by the Directors and applicable employees of the Group with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

The Corporate Governance Statement was approved and authorised for issue by the Board on 25 April 2019, and was signed on its behalf by:

J Pearson
Chairman

# DIRECTORS' REPORT

The Directors' present their annual report and consolidated financial statements for the year ended 31 December 2018.

## Financial reporting

The consolidated financial statements for the year ended 31 December 2018 are set out on pages 35 to 66 for FairFX Group Plc. These have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union.

## Principal activities

The principal activities of the Group during the year were to provide foreign exchange payment services and banking services to both private customers and corporations through prepaid currency cards, travel cash, international money transfers and current accounts. FairFX Plc, Spectrum Payment Services Limited and City Forex Limited are authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services and Fair Payments Limited is authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011 for the provision of electronic money services.

The principal activity of the parent Company is as an investment holding company of the FairFX companies.

The Company was incorporated on 4 March 2014, and on 22 July 2014 acquired the entire shareholding of FairFX (UK) Limited (previously named FairFX Group Limited) through a share for share exchange. For the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition under IFRS 3 *Business Combinations* have been applied. The steps to restructure the Group had the effect of FairFX Group Plc being inserted above FairFX (UK) Limited. The holders of the share capital of FairFX (UK) Limited were issued fifty shares in FairFX Group Plc for one share held in FairFX (UK) Limited. The shares of the Company were admitted to trading on AIM on 5th August 2014

## Post balance sheet event

On 27th March 2019, Warrants were exercised over 7,500,000 new ordinary shares for a consideration of £2,025,000. The Warrants were issued to Crystal Amber Fund Limited ("Crystal Amber") in conjunction with the Company's equity placing announced in March 2016.

## Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

## Directors

The following Directors have held office during the financial year and up to the date of approval of these financial statements.

I A I Strafford-Taylor
A Chowdhury
J Pearson
R M Head

## Directors' interests

The Directors who held office at 31 December 2018 held the following shares in the Company:

| | Shareholding % | Ordinary 1p shares 2018 |
|---|---|---|
| I A I Strafford-Taylor | 1.37% | 2,127,750 |

The Directors held the following unexercised share options in the Company:

| | Option price (£) | Number Granted | Date Granted |
|---|---|---|---|
| I A I Strafford-Taylor | 0.22 | 192,950 | 28/07/2014 |
| | 0.36 | 1,789,300 | 28/07/2014 |
| | 0.36 | 1,535,750 | 28/07/2014 |
| | 0.30 | 750,000 | 28/09/2016 |
| A Chowdhury | 0.36 | 88,889 | 28/07/2014 |
| | 0.30 | 50,000 | 28/09/2016 |
| J Pearson | 0.58 | 120,000 | 01/11/2014 |
| | 1.16 | 120,000 | 01/11/2014 |
| | 1.74 | 120,000 | 01/11/2014 |
| | 0.30 | 250,000 | 28/09/2016 |
| R M Head | 0.30 | 133,333 | 28/09/2016 |

## Auditor

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

## Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

## Going concern

Based on the Group's budgets and financial projections, the Directors are satisfied that the business is a going concern and therefore the financial statements have been prepared on a going concern basis. This assessment is based on whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and the effectiveness of risk management policies.

The Directors' Report was approved by the Board on 25 April 2019 and signed on its behalf by:

J Pearson
Chairman

# AUDIT COMMITTEE REPORT

During the year, the audit committee focused on the effectiveness of the controls across the Group, especially as the Group expanded with the acquisitions listed in the Chairman's statement. Risk management is an area that the committee will continue to focus on over the coming year. Monitoring of the operational performance of the Group is an area of ongoing review. The focus is on several key areas; with the General Data Protection Regulation coming into effect and various recent scandals, increased focus on data governance within the Group is planned.

The Group currently does not yet operate a "three lines of defence" model. Nor does it have a formal internal audit department. Given the scale of the Group, the audit committee believes this is acceptable now but needs to be kept under review. The audit committee appointed various third parties to give independent opinions on chosen topics that are regarded as potentially higher risk (for example, cyber security, money laundering).

**Roles and responsibilities**

The committee is appointed by the Board; their primary duties are listed beneath the subheadings below, along with a brief description of sub-tasks:

### 1. Financial reporting

a. consider the areas of risk and what is done to optimise these risks and ensure that these are communicated to the auditors
b. review significant financial reporting judgements and the application of accounting policies, including compliance with the accounting standards;
c. ensure the integrity of the financial statements and their compliance with UK company law and accounting regulations;
d. ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;
e. monitor the integrity of announcements containing financial information

### 2 Internal controls

a. monitor adequacy and effectiveness of the internal financial controls and processes, and ensuring any shortcomings are rectified at the earliest opportunity;
b. where appropriate, ensure compliance with the UK Corporate Governance Code

### 3. Risk management

a. review and provide oversight of the processes by which risks are managed and optimised

### 4. External audit

a. manage the relationship with the Group's external auditor;
b. monitor and review the independence and performance of the external auditor and formally evaluate their effectiveness;
c. review the policy on non-audit services carried out by the external auditor, taking account of relevant ethical guidance;
d. negotiate and approve the external auditor's fee, the scope of the audit and the terms of their engagement;
e. make recommendations to the Board for the appointment or reappointment of the external auditor

**Committee composition**

The audit committee is currently comprised of the three Non-Executive Directors. The members that served on the committee during the year were John Pearson, Robert Head, and Ajay Chowdhury. Other meeting attendees included Andrew Walker, Melissa Phiri and Dejan Randjelovic, from KPMG, Ian Strafford-Taylor, Group Chief Executive Officer, Tony Quirke, Group Chief Financial Officer and Company secretary, and John Zablocki, Group Financial Controller. The committee has given the opportunity for the various attendees to have closed meetings without the other attendees to debate any issues that may arise. This has not proved necessary.

**Committee activities during the year**

### Financial statements and business reports

- Reviewed the 2017 Annual Report and Consolidated Financial Statements, and recommended that both be approved by the Board
- Reviewed the projected Cash Flow statement as prepared by the Chief Financial Officer; as a result, the Board concluded the business could be considered to be a going concern, and the financial statements could be prepared as such

### Risk management

- Reviewed and debated the risk logs and the actions being taken to optimise risks
- Considered what other risks should be considered by the business which may not have been captured by the risk logs
- Informed external audit of risk areas the audit committee viewed as being material to their audit approach

### External audit

- Debated and agreed the external audit strategy
- Noted the adjusted and non-adjusted differences and debated the highlights memo previously circulated to committee members
- Acknowledged that the prepared financial statements represented a true and fair view of the Group's affairs, were in accordance with IFRS and had been prepared in accordance with the Companies Act 2006. Their enquiries included regular management and KPI reporting, analytical review and sign off on key control accounts
- Review progress in dealing with control issues raised by the external auditors in their management letter
- Reviewed and approved the Letter of Representation sent by the Company to the external auditors

### Other

- Confirmation that the external auditor as part of its role as Group Auditor of the Group's Consolidated Financial Statements would be appointed to audit all trading entities as is required for a UK Listed Group
- Compliance with laws and regulation including money laundering

## Governance

The committee meets at least three times per year and routinely meets with the external auditor without the Executive Directors present. It is chaired by Robert Head, independent Non-Executive Director, who is a chartered accountant with recent and relevant financial experience. The Chairman has frequent meetings with the external auditors to ensure issues are being considered on a timely basis. The Group Chief Financial Officer and Group Financial Controller work closely with the committee Chairman to facilitate open communication and regular information flow. Each committee member brings a wealth of professional and practical knowledge and experience which is relevant to the Company's industry.

Such abilities ensure that the committee functions with competence and credibility. The committee receives regular updates on changes to financial accounting standards and reporting requirements, regulatory and governance changes and developments around risk management, fraud prevention and detection, and cyber security.

In its advisory capacity, the committee confirmed to the Board, that based on its review of the Annual Report and Accounts and internal controls that support the disclosures, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Company's position and performance, its business model and strategy.

## Engagement of the external auditor and tenure

KPMG was first appointed as external auditor in 2014. KPMG is required to rotate the audit partner responsible for the Group every five years and the current audit partner's term will end after the 2018 audit, expected sometime around April 2019. The audit committee recommended that KPMG be re-appointed as the Company's auditor at the 2017 Annual General Meeting, and this was approved with 100% of the votes cast in favour. As a matter of course, KPMG are not awarded any non-audit work; please refer to note 5 of the financial statements for more details regarding the breakdown of payments to the Company auditor.

## Auditor independence

At each meeting, the committee receives a summary of all fees, audit and non-audit, payable to the external auditor. A summary of fees paid to the external auditor is set out in note 5 to the Accounts. The external auditor confirmed its independence as auditor of the Company through written confirmation to the Company. The external auditor identified an inadvertent breach of independence by an individual unaware of their holding of an impermissible investment in the Group; the breach was deemed to have been immaterial and, as the breach was immediately corrected, that no further action would be required.

## External audit effectiveness

The effectiveness of the external audit process is assessed by the committee, which meets regularly throughout the year with the audit partner and senior audit managers. The committee believes that sufficient and appropriate information is obtained to form an overall judgement of the effectiveness of the external audit process. The external audit effectiveness process findings from last year's review were also incorporated into the audit processes this year. One matter that the committee keeps under review is the mix of substantive and control testing by the auditors. The most cost-effective audit is mainly a substantive audit. The committee keeps this under review as its preference from a control perspective is that the external audit should use control testing.

## Risk management and internal controls

Further details of risk management and internal controls are set out under note 19.2 of the consolidated financial statements. The committee is dedicated to the thorough monitoring of the effectiveness of its internal controls and risk management; they maintain a good understanding of business performance, key areas of judgement and decision-making processes within the Group.

## Conflicts of interest

An annual review is undertaken, facilitated by the Company Secretary, to identify any conflicts of interest that may impact upon Board members' independence. All identified conflicts recorded on a register that is adopted by the Board. Conflicted Directors are not able to attend meetings where the conflicted matter is discussed and decisions are made. It has been determined that none of the Directors had or have an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

## Significant issues

Significant issues and accounting judgements (refer to note 3.24) are identified by the committee, the finance team, or through the external audit process and are reviewed by the audit committee.

R M Head
Chair of the Audit Committee

# DIRECTORS' REMUNERATION REPORT

The Group produced a report concerning the activities of the remuneration committee. The remuneration committee is currently comprised of the three Non-Executive Directors. The members that served on the committee during the year were John Pearson, Robert Head, and Ajay Chowdhury. Other meeting attendees included Ian Strafford-Taylor, FairFX Chief Executive Officer (except during discussions regarding the CEO's remuneration, when he was excused from the proceedings of the meeting).

**Remuneration outcomes for 2018**

### Base salary

The committee approved the increase of the Group Chief Executive Officer's salary from 1 January 2018 by £12,500 (1 April 2017: £20,000); this was agreed to be appropriate due to performance, inflation and the increased scale of the business.

### Annual bonus outcomes for the financial year

No bonus payment has been issued for 2018 to the Group Chief Executive Officer.

**Total remuneration**

### Single figure of total remuneration

The following tables provide details of the Directors' remuneration for the 2018 financial year, together with their remuneration for the 2017 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

| | Gross Salary 2018 | Bonus 2018 | Employer Pension 2018 | Total Remuneration 2018 |
|---|---|---|---|---|
| Executive Directors | | | | |
| I A I Strafford-Taylor | 262,500 | - | 703 | 263,203 |
| Non-Executive Directors | | | | |
| A Chowdhury | 40,000 | - | - | 40,000 |
| J Pearson | 60,000 | - | 703 | 60,703 |
| R M Head | 40,000 | - | - | 40,000 |

| | Gross Salary 2017* | Bonus 2017 | Employer Pension 2017 | Total Remuneration 2017 |
|---|---|---|---|---|
| Executive Directors | | | | |
| I A I Strafford-Taylor | 245,000 | 237,200 | 386 | 482,586 |
| Non-Executive Directors | | | | |
| A Chowdhury | 40,000* | - | - | 40,000 |
| J Pearson | 60,000 | - | 386 | 60,386 |
| R M Head | 40,000* | - | - | 40,000 |

* The 2017 gross salary payable to A Chowdhury and R M Head have been restated from £50,000 to £40,000 to reflect their annual gross salary taken in 2017. The restatement is to correct the prior year error of disclosing the gross salary incurred, which differed from gross salaries taken due to the timing and accrual of remuneration payments in prior years.

## Directors' interest in long term incentive plan share options

| Director award date | Option price (£) | Number Granted | Date Granted | Earliest Exercise date | Latest exercise date |
|---|---|---|---|---|---|
| I A I Strafford-Taylor | | | | | |
| 28/07/2014 | 0.22 | 192,950 | 28/07/2014 | 05/08/2016 | 03/11/2019 |
| 28/07/2014 | 0.36 | 1,789,300 | 28/07/2014 | 05/08/2016 | 03/11/2019 |
| 28/07/2014 | 0.36 | 1,535,750 | 28/07/2014 | 05/08/2016 | 03/11/2019 |
| 28/09/2016 | 0.3 | 250,000 | 28/09/2016 | 28/09/2017 | 27/09/2026 |
| 28/09/2016 | 0.3 | 250,000 | 28/09/2016 | 28/09/2018 | 27/09/2026 |
| 28/09/2016 | 0.3 | 250,000 | 28/09/2016 | 28/09/2019 | 27/09/2026 |
| A Chowdhury | | | | | |
| 28/07/2014 | 0.36 | 88,889 | 28/07/2014 | 05/08/2016 | 03/11/2019 |
| 28/09/2016 | 0.3 | 16,667 | 28/09/2016 | 28/09/2017 | 27/09/2026 |
| 28/09/2016 | 0.3 | 16,667 | 28/09/2016 | 28/09/2018 | 27/09/2026 |
| 28/09/2016 | 0.3 | 16,667 | 28/09/2016 | 28/09/2019 | 27/09/2026 |
| J Pearson | | | | | |
| 01/11/2014 | 0.58 | 120,000 | 01/11/2014 | 05/08/2016 | 03/11/2019 |
| 01/11/2014 | 1.16 | 120,000 | 01/11/2014 | 05/08/2016 | 03/11/2019 |
| 01/11/2014 | 1.74 | 120,000 | 01/11/2014 | 05/08/2016 | 03/11/2019 |
| 28/09/2016 | 0.3 | 83,333 | 28/09/2016 | 28/09/2017 | 27/09/2026 |
| 28/09/2016 | 0.3 | 83,333 | 28/09/2016 | 28/09/2018 | 27/09/2026 |
| 28/09/2016 | 0.3 | 83,333 | 28/09/2016 | 28/09/2019 | 27/09/2026 |
| R M Head | | | | | |
| 28/09/2016 | 0.3 | 44,444 | 28/09/2016 | 28/09/2017 | 27/09/2026 |
| 28/09/2016 | 0.3 | 44,444 | 28/09/2016 | 28/09/2018 | 27/09/2026 |
| 28/09/2016 | 0.3 | 44,444 | 28/09/2016 | 28/09/2019 | 27/09/2026 |

## Breakdown of executive bonus outcome as a percentage of maximum

| | 2018 | 2017 |
|---|---|---|
| Total Remuneration | 263,203 | 482,586 |
| Bonus outcome (% of max) | – | 49 |

R M Head
Chair of the Remuneration Committee

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

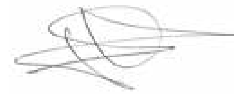
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



I A I Strafford-Taylor
Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF FAIRFX GROUP PLC

### 1. Our opinion is unmodified

We have audited the financial statements of FairFX Group plc ("the Company") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated and Company statement of financial position, consolidated and Company statement of changes in equity and consolidated and Company statement of cash flows, and the related notes, including the accounting policies in note 3.

### 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 2018 and of the Group's profit for the year then ended;
— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
— the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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 are described below. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Overview**

| | | |
|---|---|---|
| Materiality:<br>Group financial tatements as a whole | | £195,000 (2017:£116,000)<br><br>0.75% of Group revenue (2017: 0.75% of Group revenue) |
| Coverage | | 100% (2017: 100%) of Group revenue |
| **Key audit matters** | | **vs 2017** |
| Recurring risks | Revenue | ▲ |
| | Valuation of goodwill | ◀▶ |
| | Investment in subsidiaries | ◀▶ |
| | **New:** Capitalisation of development costs | ▲ |
| Event driven | Acquisition accounting | ◀▶ |
| | **New:** Brexit uncertainties | ▲ |

## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matters, were as follows:

| | The risk | Our response |
|---|---|---|
| Brexit uncertainties<br><br>Refer to page 9 (Strategic Report),<br>page 17 (Audit Committee Report),<br>page 39 (financial statements disclosures) | Unprecedented levels of uncertainty<br>All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters below including (i) accounting for acquisition of City Forex Ltd (ii) considering the carrying value of goodwill and (iii) capitalisation of software development cost, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the strategic report and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.<br><br>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. | We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:<br><br>Our Brexit knowledge:<br>We considered directors' assessment of Brexitrelated sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors plans to take action to mitigate the risks.<br><br>Sensitivity analysis:<br>When addressing the accounting for acquisition of City Forex Ltd, the carrying value of goodwill and the capitalisation of software development costs and other areas that depend on forecasts we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash-flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.<br><br>Assessing transparency:<br>As well as assessing individual disclosures as part of our procedures over the accounting for acquisition of City Forex Ltd, the carrying value of goodwill and capitalisation of software development costs, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit. |

| | The risk | Our response |
|---|---|---|
| **Revenue**<br>(£26.1 million;2017: £15.5 million)<br><br>Refer to page 41 (accounting policy) and page 48 (Revenue and segmental analysis disclosures). | **Data capture and processing errors:**<br>Revenue from the Group is derived from four products, namely Currency Cards, International payments, Travel cash and Banking. It is recognised as the difference between the rate offered to clients and the rate the Group receives from its liquidity providers. The exchange rates used may be incorrect, leading to a material under or overstatements of revenue. For the Banking product, revenue is derived from monthly fees and transaction based charges which are high volume but low value in nature. Revenue may not be completely recorded or recorded in the incorrect accounting period.<br><br>Following the acquisition of City Forex, management have migrated the Wholesale activities from IsCT to MTS, a proprietary operating system owned and developed by City Forex. Certain activities such as refunds, cancelled orders and profit share arrangements which were previously processed as manual adjustments to revenue for Currency Cards, Travel cash and International payments in the Admin system have also been migrated to MTS. The volume and value of these types of transactions has been increasing during the year, up to the point of migration.<br><br>In the migration processes referred to above due to the lack of adequate controls over these processes there is a risk that transactions and historic records may not be migrated accurately and completely resulting in the possible misstatement of revenue.<br><br>Commercial arrangements with third party providers of Currency Cards, FairPay, Dealing and Banking differ across individual segments, such that the Group may be acting as principal or agent. An error in the assessment of these relationships may result in an incorrect presentation of the revenue. | Our procedures included:<br><br>**Test of details:**<br>For a sample of Currency Cards deals, we traced the items to order details and bank statements and compared contracted exchange rates to statements from the currency providers for gross value of currency transactions purchased. For currency card loading fees we have agreed the total revenue to third party monthly statements.<br><br>**Test of details:**<br>For a sample of FairPay and Dealing deals, we traced the items to order details and bank statements and compared contracted exchange rates to statements from the currency providers for gross value of currency transactions purchased. We also traced the sell rates to order details from the customer, and traced the amounts received from the customers to the bank statements.<br><br>**Test of details:**<br>We have traced all monthly fees revenue to the bank statements. For transaction based charges we have checked and traced to total revenue to third party statements.<br><br>**Test of details:**<br>For a sample of Travel cash exchange transactions we traced the items to customer acknowledged receipts. For each sample, we checked the appropriateness of the applied foreign exchange rate for cost of sales by recalculating the rate using the exchange rates obtained directly from the liquidity providers.<br><br>**Test of details:**<br>We obtained the list of all sales transactions from pre-migration and post-migration systems and agreed the listing to trial balance. We also obtained independent listing of all transactions with liquidity providers and compared this to the transaction listing provided by the directors to assess the completeness of revenue.<br><br>**Test of details:**<br>For a sample of revenue transactions we tested the inclusion of the Currency Cards, International payments, Travel cash and Banking transactions in 2018 rather than 2019 and vice versa.<br><br>**Accounting analysis:**<br>We assessed whether the Group is acting as an agent or principal by assessing the risks and responsibilities of the Group in all five segments. |

| | The risk | Our response |
|---|---|---|
| **Capitalisation of software development costs**<br><br>(2018: £5.2 million; 2017: £nil)) Refer to page 44 (accounting policy) and page 59 (financial statement disclosures). | **Accounting application:**<br><br>FairFX Group rolled out a programme to improve, enhance and develop new functionalities of its IT systems. Certain staff costs in connection with their programme have been capitalised.<br><br>Time spent by contractors , IT staff and non-managerial employees on developing the systems is captured through timesheets.<br><br>Due to a lack of adequate controls over the capitalisation of development costs, there is a risk that the costs could be inappropriately and incorrectly capitalised (i.e. not meeting the criteria of the relevant accounting standards).<br><br>Time spent by non IT staff and executives is allocated based on the Directors judgement. This includes a risk of error or fraud because of the judgement involved in the allocation of the time spend by non IT staff and executives to the projects. | Our procedures included:<br><br>**Accounting analysis:**<br>We have tested capitalisation of the development costs against the requirements of the relevant accounting standards.<br><br>**Tests of detail:**<br>On a sample basis we have agreed the employee costs capitalised to payroll information or contracts.<br><br>**Tests of detail:**<br>On sample basis, we have checked the time recorded on the IT development programme to the time recording system and contractor invoices.<br><br>**Tests of detail:**<br>We critically evaluated the Group's assessment of the economic benefits expected from the development costs capitalised by evaluating the expected cash flows.<br><br>**Tests of detail:**<br>We assessed non IT and Executive expenditure and whether it was of administrative nature and therefore did not meet the capitalisation criteria per the relevant the accounting standards.<br><br>**Assessing transparency:**<br>We assessed the adequacy of disclosures in accordance with the relevant accounting standards. |
| **Acquisition accounting**<br><br>Refer to page 4 (Strategic Report), page 44 (accounting policy) and page 63 (financial disclosures). | **Subjective valuation:**<br>During the year ended 31 December 2018, the Group acquired a 100% equity interest in City Forex Ltd for a total consideration of £9.2 million. The fair values of identifiable net assets acquired on the date of acquisition amounted to £5.3 million and goodwill arising from the acquisition amounted to £3.9 million.<br><br>The Group exercised judgment in selecting the most appropriate valuation method for the intangible assets acquired. The valuation methods included the use of forecast cash flows which required the directors to exercise judgment in determining the expected cash flows from the assets and the discount rates to be applied.<br><br>There is a risk that this is not accounted for in accordance the relevant accounting standards resulting in inappropriate under or over valuation of amortisable intangibles, with consequent impacts on goodwill. Further, there is a risk that accounting policies and methodologies are not aligned across the Group. | Our procedures included:<br><br>**Our sector experience:**<br>We benchmarked the discount rates against peers in the same industry.<br><br>**Test of details:**<br>We read the acquisition agreements and assessed whether the assets and liabilities acquired reflect the contractual terms.<br><br>**Test of details:**<br>We evaluated the appropriateness of the acquisition accounting against the requirements of the relevant accounting standards. We tested the appropriateness of the amounts recorded by agreeing these to the Sale and Purchase agreement and underlying calculations supported by documentary evidence as appropriate.<br><br>**Test of details:**<br>We evaluated the valuation methodology used by the Group. This included assessing the intangible assets acquired, and the basis of their valuation.<br><br>**Test of details:**<br>We assessed the key assumptions used in the value in use model including the discount rate, cash flows and their growth rates. This involved recalculating the discount rates and performing sensitivity analysis on discount rates and cash flows and their growth. We also evaluated management ability to forecast by comparing previous years budgets to actual results.<br><br>**Assessing transparency:**<br>We assessed the adequacy of the Group's disclosures in respect of the business combinations in Note 12 to the financial statements. |

| | The risk | Our response |
|---|---|---|
| Goodwill<br><br>(£16.9 million; 2017:£13.0m)<br>Refer to page 47 (accounting policy) and page 61 (financial disclosures). | Forecast-based valuation<br>The calculation of the recoverable amount of goodwill is subject to inherent uncertainty as it relies on key assumptions made by the Directorsin relation to the allocation of goodwill to CGUs, forecast cash flows, the growth rate in forecast and terminal periods and discount rates used in each CGU.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the carrying amount of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements note 11 discloses the sensitivity analysis on the impairment test of the goodwill carrying value. | Our procedures included:<br><br>**Our sector experience:**<br>We challenged the Directors' identification of and allocation of goodwill and other assets acquired to CGUs based on our understanding of the business.<br><br>**Test of details:**<br>We evaluated, challenged, and tested the Group's assumptions used in the annual impairment review of goodwill, in particular the forecast cash flows and the discount rate applied.<br><br>**Historical comparison:**<br>We assessed the historical accuracy of forecasting by the Directors.<br><br>**Sensitivity analysis:**<br>We performed sensitivity analysis on the key assumptions in the forecasts to assess if there are any reasonably foreseeable circumstances in which impairment could occur.<br><br>**Assessing transparency:**<br>We assessed the adequacy of the Group's disclosures about the impairment assessment in note 11 in the financial statements. |
| Investments in subsidiaries<br><br>(£39.6 million; 2017: £29.5 million)<br>Refer to page 44 (accounting policy) and page 63 (financial disclosures).. | Low risk, high value<br>The carrying amount of the parent Company's investments in subsidiaries represents 89% (2017: 69%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit. | Our procedures included:<br><br>**Our sector experience:**<br>We critically assessed the existence of impairment indicators by examining the current level of trading, including identifying any indications of a downturn in activity, and by examining the post year end management accounts.<br><br>**Test of details:**<br>We compared the carrying amount of all investments with the relevant subsidiaries' draft balance sheets, audited for Group reporting purposes, to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount, and for acquisitions made during the year assessing whether the goodwill recognised has been impaired.<br><br>**Our sector experience:**<br>We compared the market capitalisation of the Group to the net assets of the Group, which may indicate an impairment in the carrying value of the Company's subsidiaries. |

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £195,000(2017: £116,000), determined with reference to a benchmark of Group revenue (2017: Group revenue), of which it represents 0.75% (2017: 0.75%).

We consider revenue to be the most appropriate benchmark because the benchmark is more stable and reflective of the Group's financial performance during the period.

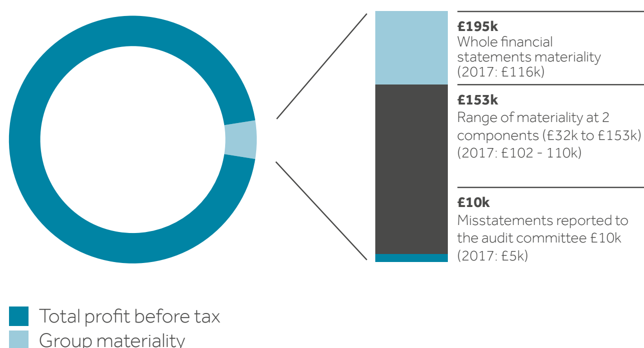
Materiality for the parent Company financial statements as a whole was set at £153,000 (2017:£110,000) by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to assets of parent company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £9,750, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's two (2017: two) reporting components (Cards and Payments component and Banking component), we subjected two (2017: two) to full scope audits for Group purposes. The components within the scope of our work accounted for 100% (2017: 100%) of the Group revenue, Group profit before tax and Group total assets.The work on both in-scope components (2017: two), including the audit of the parent company, was performed by the Group team.The Group team allocated component materialities which ranged from £32,000 to £153,000(2017:£102,000 to £110,000), having regard to the mix of size and risk profile of the Group across the components.

***Group revenue**
£26.1m (2017: £15.5m

**Group Materiality**
£195k (2017: £116k)




*Based on actual Group revenue figures

## 4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease its operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").
Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects, and we did not identify going concern as a key audit matter

## 5. We have nothing to report on the other information in the Annual Report and accounts

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns ;or
- certain disclosures of directors' remuneration specified by law are not made ;or
- we have not received all the information and explanations we require for ouraudit.We have nothing to report in these respects.

### 7. Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 16 the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

### 8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Walker**
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
25 April 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| Gross value of currency transactions sold | 3.4 | 1,783,710,215 | 936,593,130 |
| Gross value of currency transactions purchased | 3.4 | (1,763,246,570) | (923,028,865) |
| Revenue on currency transactions | | 20,463,645 | 13,564,265 |
| Banking revenue | | 5,628,747 | 1,896,470 |
| **Revenue** | 4 | **26,092,392** | **15,460,735** |
| Direct costs | | (5,605,961) | (3,525,676) |
| **Gross profit** | | **20,486,431** | **11,935,059** |
| Administrative expenses (excluding acquisition expenses) | | (18,109,624) | (11,435,841) |
| Acquisition expenses | | (297,484) | (269,769) |
| **Profit before tax** | 5 | **2,079,323** | **229,449** |
| Tax credit | 8 | 538,343 | 217,687 |
| **Profit and total comprehensive income for the year** | | **2,617,666** | **447,136** |
| Earnings per share | | | |
| Basic | 9 | 1.68p | 0.37p |
| Diluted | 9 | 1.64p | 0.36p |

All income and expenses arise from continuing operations. There are no differences between the profit for the year and total comprehensive income for the year, hence no Statement of Other Comprehensive Income is presented.

The notes on pages 40 to 66 form an integral part of these financial statements.

# CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 £ | 2017 (Restated*) £ | 2018 £ | 2017 £ |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 941,826 | 137,580 | – | – |
| Intangible assets and goodwill | 11 | 27,107,873 | 17,649,128 | – | – |
| Deferred tax asset | 8 | 2,035,728 | 511,912 | – | – |
| Investments | 12 | – | – | 38,725,451 | 29,455,134 |
| | | 30,085,427 | 18,298,620 | 38,725,451 | 29,455,134 |
| **Current assets** | | | | | |
| Inventories | 13 | 286,713 | 199,747 | – | – |
| Trade and other receivables | 14 | 7,150,750 | 3,779,768 | 4,907,704 | 13,212,504 |
| Deferred tax asset | 8 | 859,914 | – | – | – |
| Derivative financial assets | 18 | 1,181,892 | 303,775 | – | – |
| Cash and cash equivalents | 15 | 7,860,368 | 17,803,063 | – | – |
| | | 17,339,637 | 22,086,353 | 4,907,704 | 13,212,504 |
| TOTAL ASSETS | | **47,425,064** | **40,384,973** | **43,633,155** | **42,667,638** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders** | | | | | |
| Share capital | 16 | 1,553,682 | 1,553,682 | 1,553,682 | 1,553,682 |
| Share premium | | 35,858,770 | 35,858,770 | 35,858,770 | 35,858,770 |
| Share based payment reserve | | 1,748,105 | 1,144,832 | 835,148 | 781,383 |
| Merger reserve | | 8,395,521 | 8,395,521 | 2,979,438 | 2,979,438 |
| Contingent consideration reserve | | 543,172 | 543,172 | 543,172 | 543,172 |
| Retained earnings/(deficit) | | (9,832,880) | (12,450,546) | 240,954 | (1,123,092) |
| | | 38,266,370 | 35,045,431 | 42,011,164 | 40,593,353 |
| **Non-current liabilities** | | | | | |
| Deferred tax liability | 8 | 1,543,894 | 673,661 | – | – |
| | | 1,543,894 | 673,661 | – | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 6,679,131 | 4,402,838 | 1,621,991 | 2,074,285 |
| Deferred tax liability | 8 | 356,713 | 117,838 | – | – |
| Derivative financial liabilities | 18 | 578,956 | 145,205 | – | – |
| | | 7,614,800 | 4,665,881 | 1,621,991 | 2,074,285 |
| TOTAL EQUITY AND LIABILITIES | | **47,425,064** | **40,384,973** | **43,633,155** | **42,667,638** |

* Refer to note 3.1

The notes on pages 40 to 66 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 25 April 2019 and were signed on its behalf by:

I A I Strafford-Taylor
Director
Company Registration number: 08922461

# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2018

| Group | Share capital £ | Share premium £ | Share based payment £ | Retained earnings/ (deficit) £ | Merger reserve £ | Contingent consideration reserve £ | Total £ |
|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 1,031,160 | 10,174,273 | 668,422 | (12,897,682) | 5,416,083 | – | 4,392,256 |
| Profit for the year | – | – | – | 447,136 | – | – | 447,136 |
| Shares issued in year | 522,522 | 25,684,497 | – | – | 2,979,438 | – | 29,186,457 |
| Share based payment charge (note 20) | – | – | 476,410 | – | – | – | 476,410 |
| Equity based acquisition consideration | – | – | – | – | – | 543,172 | 543,172 |
| At 31 December 2017 | 1,553,682 | 35,858,770 | 1,144,832 | (12,450,546) | 8,395,521 | 543,172 | 35,045,431 |
| Profit for the year | – | – | – | 2,617,666 | – | – | 2,617,666 |
| Share based payment charge (note 20) | – | – | 603,273 | – | – | – | 603,273 |
| **At 31 December 2018** | **1,553,682** | **35,858,770** | **1,748,105** | **(9,832,880)** | **8,395,521** | **543,172** | **38,266,370** |

| Company | Share capital £ | Share premium £ | Share based payment £ | Retained earnings/ (deficit) £ | Merger reserve £ | Contingent consideration reserve £ | Total £ |
|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 1,031,160 | 10,174,273 | 668,422 | (883,933) | – | – | 10,989,922 |
| Loss for the year | – | – | – | (239,159) | – | – | (239,159) |
| Shares issued in period | 522,522 | 25,684,497 | – | – | 2,979,438 | – | 29,186,457 |
| Share based payment charge (note 20) | – | – | 112,961 | – | – | – | 112,961 |
| Equity based acquisition consideration | – | – | – | – | – | 543,172 | 543,172 |
| At 31 December 2017 | 1,553,682 | 35,858,770 | 781,383 | (1,123,092) | 2,979,438 | 543,172 | 40,593,353 |
| Profit for the year | – | – | – | 1,364,046 | – | – | 1,364,046 |
| Share based payment charge (note 20) | – | – | 53,765 | – | – | – | 53,765 |
| **At 31 December 2018** | **1,553,682** | **35,858,770** | **835,148** | **240,954** | **2,979,438** | **543,172** | **42,011,164** |

The following describes the nature and purpose of each reserve within owners' equity:

| | |
|---|---|
| Share capital | Amount subscribed for shares at nominal value. |
| Share premium | Amount subscribed for shares in excess of nominal value less directly attributable costs. |
| Share based payment | Fair value of share options granted to both Directors and employees. |
| Retained deficit | Cumulative profit and losses are attributable to equity shareholders. |
| Merger reserve | Arising on reverse acquisition from Group reorganisation. |
| Contingent consideration reserve | Arising on equity based contingent consideration on acquisition of subsidiaries. |

Under the principles of reverse acquisition accounting, the Group is presented as if FairFX Group Plc had always owned the FairFX (UK) Limited Group. The comparative and current period consolidated reserves of the Group are adjusted to reflect the statutory share capital and merger reserve of FairFX Group Plc as if it had always existed.

The notes on pages 40 to 66 form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER

### Group

| | Note | 2018 £ | 2017 (Restated*) £ |
|---|---|---|---|
| Profit for the year | | 2,617,666 | 447,136 |
| Cash flows from operating activities | | | |
| *Adjustments for:* | | | |
| Depreciation | | 200,123 | 51,727 |
| Amortisation | | 1,318,649 | 221,117 |
| Share based payment charge | | 53,765 | 112,961 |
| Increase in deferred tax asset on share-based payment | | 549,508 | - |
| (Increase) in trade and other receivables | | (1,551,213) | (697,755) |
| (Increase) in derivative financial assets | | (878,117) | (79,891) |
| (Increase) in deferred tax asset | | (2,383,730) | (511,912) |
| Increase in trade and other payables | | 1,899,118 | 2,128,893 |
| Increase in deferred tax liabilities | | 878,369 | 791,499 |
| Increase/(decrease) in derivative financial liabilities | | 433,751 | (2,752) |
| (Increase)/decrease in inventories | | (86,966) | 38,031 |
| *Net cash inflow from operating activities* | | 3,050,923 | 2,499,054 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (670,827) | (83,266) |
| Acquisition of intangibles | | (5,758,957) | (193,757) |
| Acquisition of subsidiary, net of cash acquired | | (6,563,834) | (12,827,261) |
| Investment in subsidiary undertaking | | – | (1,255,748) |
| *Net cash used in investing activities* | | (12,993,618) | (14,360,032) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | | – | 27,703,789 |
| Costs directly attributable to share issuance | | – | (1,541,641) |
| *Net cash from financing activities* | | – | 26,162,148 |
| Net increase/(decrease) in cash and cash equivalents | | (9,942,695) | 14,301,170 |
| Cash and cash equivalents at the beginning of the year | | 17,803,063 | 3,501,893** |
| Cash and cash equivalents at end of the year | 15 | **7,860,368** | **17,803,063** |

* Refer to note 3.1

** This balance was previously reported as £8,523,985 however this has been adjusted by £5,022,092 and restated to £3,501,893.

The notes on pages 40 to 66 form an integral part of these financial statements.

# COMPANY STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER

**Company**

| | 2018<br>£ | 2017 (Restated*)<br>£ |
|---|---|---|
| Profit/(loss) for the period | 1,364,046 | (239,159) |
| Cash flows from operating activities | | |
| *Adjustments for:* | | |
| Share based payment charge | 53,765 | 112,961 |
| (Increase) in trade and other receivables | (965,517) | (2,489,078) |
| (Decrease)/increase in trade and other payables | (452,294) | 2,615,276 |
| *Net cash inflow/(outflow) from operating activities* | – | – |
| Net increase/(decrease) in cash and cash equivalents | – | – |
| Cash and cash equivalents at end of the period | – | – |

* Prior year cash flows from investing and financial activities have been restated to Nil and disclosed as cash flows from operating activities. This restatement has occurred due to the fact the Company does not have a bank account and all cash flow activities are funded by its subsidiaries.

The notes on pages 40 to 66 form an integral part of these financial statements.

## 1. General information

FairFX Group Plc (the "Company") is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a financial technology (fintech) provider, primarily providing foreign currency and banking services. In addition, the Group has a Bureau de Change retail network in the City of London.

The Company and Group's consolidated financial statements for the year ended 31 December 2018 were authorised for issue on 25 April 2019 and the Company and Group's statement of financial position signed by I A I Strafford-Taylor on behalf of the Board.

## 2. New standards, amendments and interpretations to published standards

The Group applied all applicable IFRS standards and all applicable interpretations published by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) for the year ended 31 December 2018.

Adoption of new and revised accounting standards and interpretations:

- IFRS 2 *Classification and Measurement of Shared-based Payment Transactions (Amendments)*
- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the new applicable standards has not had a significant impact on the financial reporting of the Group. Additional disclosures have been provided regarding the application of IFRS 15 (see A) and IFRS 9 (see B).

### A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes*. It affects the timing of recognition of revenue items, but not generally the overall amount recognised.

A detailed review exercise has taken place and the Group has concluded that the introduction of the new standard will not result in any changes to the Group's accounting policies on revenue recognition.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group has reviewed income from Deliverable FX trades, Currency cards and Banking operations and concluded that the implementation of IFRS 15 has not result in any changes to the Group's accounting policies on revenue recognition.

### B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to *IAS 1 Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. As there were no impairment losses reported in the statement of profit or loss and OCI for the year ended 31 December 2017, there is no requirement to reclassify any impairment losses recognised under IAS 39, from 'other expenses' to 'impairment loss on trade'. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

#### *(i) Classification – Financial Assets*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss.

## 2. New standards, amendments and interpretations to published standards continued

***(ii) Classification – Financial liabilities***

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The transition had no impact on the classification and measurement of financial assets and liabilities.

(iii) Impairment – Financial instruments

The Group's financial instruments measured at amortised cost falling within the scope of the standard are (i) trade and other receivables, (ii) cash and cash equivalents and (iii) trade and other payables.

The Group's financial instruments held at fair value through profit and loss are (i) Derivative financial assets – forward foreign exchange contracts and (ii) Derivative financial liabilities – Forward foreign exchange contracts.

***(iv) Impairment – Financial Assets***

IFRS 9 offers two approaches for measuring and recognising the loss allowance:

General approach: grades Financial Assets into three stages according to their credit quality. The general approach should be applied for all financial assets subject to impairment, except for trade receivables or contract assets (IFRS 15) without significant financing component for these assets simplified approach should be applied.

Simplified approach: no need to determine the stage of a financial asset, because a loss allowance is recognised always at a lifetime expected credit loss.

Financial assets, measured at amortised cost, are assessed for the expected credit loss using the simplified approach.

### Standards issued but not yet effective

The following standards and interpretations (and amendments thereto) have been issued by the IASB and the IFRIC which are not yet effective and have not been yet adopted, many of which are either not relevant to the Group and Company or have no material effect on the financial statements of the Group and Company.

### C. IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, *IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is evaluating the following two transition options:

Retrospective application with the cumulative effect of initially applying IFRS 16 recognised in equity by recognising the lease liability at the date of initial application and:

- Option a. Measuring the right of use asset as if IFRS 16 had always been applied using the discount rate
- Option b. Measuring the right of use asset being equal to the lease liability.

The choice of transition approach will impact on the Group's net assets and income statement following adoption.

The results below set out the indicative impact on the date of initial implementation (1 January 2019), the year ended 31 December 2019 and end of the first period of implementation (31 December 2019) for the two transition options explained above at uniform discount rate of 15% (£'000s):

| | Option a | Option b |
|---|---|---|
| Right of Use Asset: 01/01/2019 | 1,934 | 2,113 |
| Lease Liability: 01/01/2019 | (2,113) | (2,113) |
| Retained Earnings: 01/01/2019 | (179) | 0 |

The Directors are to decide during the year on the appropriate option to adopt.

### D. Other standards

| | Effective Dates * |
|---|---|
| IFRIC 23 *Uncertainty over Income Tax Treatments* | 01 January 2019 |
| *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* | 01 January 2019 |
| *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* | 01 January 2019 |
| *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* | |
| *Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards* | 01 January 2019 |
| *Amendments to References to Conceptual Framework in IFRS Standards* | |
| IFRS 17 *Insurance Contracts* | 01 January 2021 |

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group and Company prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard of interpretation but the need for endorsement restricts the Group and Company's discretion to early adopt standards.

## 3 Basis of presentation and significant accounting policies

The principal accounting policies applied in the preparation of the Group and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments which are measured at fair value through profit or loss.

### 3.1 Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and AIM Regulations. The financial statements are presented in sterling, the Company and Group's presentational currency.

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company and Group's accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.24.

#### *Prior year adjustment*

Customer cash is held in the Group's Current Accounts and principally represents funds held in CardOneBanking payment accounts or funds credited for the purposes of International Payments. The Group has considered the accounting for cash held on behalf of customers. In previous years, cash held on behalf of customers has been recognised on balance sheet, with an equal liability to the customer.

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customer. As a result, the Group no longer accounts for customer cash as an asset and, similarly, no longer holds a liability to the customer. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly. The impact on the Group's financial statements in the prior year was as follows:

2017

| Group | As Stated £ | Effect of restatement £ | Restated £ |
|---|---|---|---|
| **Statement of financial position** | | | |
| Cash and cash equivalents | 51,950,729 | (34,147,666) | 17,803,063 |
| Trade and other payables | (38,550,504) | 34,147,666 | (4,402,838) |
| **Statement of cash flows** | | | |
| (Decrease)/increase in trade and other payables | 31,254,467 | (29,125,574) | 2,128,893 |
| Net cash (outflow)/inflow from operating activities | 31,624,628 | (29,125,574) | 2,499,054 |
| Net increase/(decrease) in cash and cash equivalents | 43,426,744 | (29,125,574) | 14,301,170 |
| Cash and cash equivalents at the beginning of the year | 8,523,985 | (5,022,092) | 3,501,893 |
| Cash and cash equivalents at end of the year | 51,950,729 | (34,147,666) | 17,803,063 |

## 3 Basis of presentation and significant accounting policies continued

2016

| Group | As Stated £ | Effect of restatement £ | Restated £ |
|---|---|---|---|
| **Statement of financial position** | | | |
| Cash and cash equivalents | 8,523,985 | (5,022,092) | 3,501,893 |
| Trade and other payables | (7,514,221) | 5,022,092 | (2,492,129) |
| **Statement of cash flows** | | | |
| (Decrease)/increase in trade and other payables | 3,050,296 | (2,144,578) | 905,718 |
| Net cash (outflow)/inflow from operating activities | (166,137) | (2,144,578) | (2,310,715) |
| Net increase/(decrease) in cash and cash equivalents | 4,908,929 | (2,144,578) | 2,764,351 |
| Cash and cash equivalents at the beginning of the year | 3,615,056 | (2,877,514) | 737,542 |
| Cash and cash equivalents at end of the year | 8,523,985 | (5,022,092) | 3,501,893 |

There was no impact on the financial statements of the Company for the prior year.

### *Going Concern*

Details of the Group's business activities, results, cash flows and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the strategic report. Certain Group companies are regulated by Financial Conduct Authority and perform annual capital adequacy assessments. Consideration was given to whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and the effectiveness of risk management policies. Furthermore, in March 2019, the Group received £2 million in equity through the exercise of share warrants. The Board therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

### 3.2 Basis of consolidation

On 5th August 2014, FairFX Group Plc listed its shares on AIM, a market operated by the London Stock Exchange. In preparation for the Initial Public Offering ("IPO") the Group was restructured. The restructure impacted a number of current year and comparative primary financial statements and notes. The effect of this reorganisation was to insert one new company into the Group, a new holding Company, FairFX Group Plc.

FairFX Group Plc acquired the entire share capital of FairFX (UK) Limited (previously named FairFX Group Limited) on 22 July 2014 through a share for share exchange. For the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition under IFRS 3 *Business Combinations* were applied. The steps to restructure the Group had the effect of FairFX Group Plc being inserted above FairFX (UK) Limited. The holders of the share capital of FairFX (UK) Limited were issued fifty shares in FairFX Group Plc for one share held in FairFX (UK) Limited.

By applying the principles of reverse acquisition accounting the Group is presented as if FairFX Group Plc had always owned and controlled the FairFX Group Plc had always owned and controlled the FairFX Group. Comparatives have also been prepared on this basis. Accordingly, the assets and liabilities of FairFX Group Plc have been recognised at their historical carrying amounts, the results for the periods prior to the date the Company legally obtained control have been recognised and the financial information and cash flows reflect those of the "former" FairFX (UK) Limited Group. The comparative and current year consolidated revenue of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of FairFX Group Plc as if it had always existed.

### *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

On publishing the Company financial statements here, together with the Group financial statements, the Company is taking advantage of exemption in section 408 of the Companies Act 2006 not to present the individual income statement and related notes of the Company which form part of these approved financial statements.

### 3.3 Foreign currency

In preparing these financial statements, transactions in currencies other than the Company and Group's presentational currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transaction. At each statement of financial position date monetary items in foreign currencies are translated into the presentational currency at the exchange rate prevailing at statement of financial position date.
Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the consolidated statement of comprehensive income for the year.

### 3.4 Gross value of currency transactions sold and purchased

The gross value of currency transactions sold and purchased represent the gross value of currency transactions undertaken with customers by the Group, where the net is reported as Revenue. These values are a non-GAAP measure and therefore disclosed as additional information in the consolidated statement of comprehensive income.

### 3.5 Income recognition

The implementation of IFRS 15 has not result in any changes to the Group's accounting policies on revenue recognition (note 2).

***(i) Deliverable FX trades (international payments and travel cash including currency exchange bureaus)***

Revenue is recognised when a binding contract is entered into by a customer and the margin is fixed and determined. The revenue, represented by the margin, is the difference between the rate offered to customers and the rate the Group receives from its liquidity providers.

***(ii) Currency cards***

There are two distinct revenue streams, FX card load orders and transaction-based charges. Revenue on FX card load orders onto non-GBP currency cards is recognised when a binding order is entered into by a customer, the margin is fixed and determined and the foreign currency has been loaded onto their currency card. The revenue, represented by the margin, is the difference between the rate offered to customers and the rate the Group receives from its liquidity providers. The transaction-based charges are recognised at the time the transaction is entered into by the customer and deducted from the customer's account.

***(iii) Banking operations***

There are two distinct revenue streams, account residency charges and transaction-based charges. The account residency charge is due monthly and the revenue is recognised when the monthly service has been provided and it is probable that payment will be received. The transaction-based charges are recognised at the time the transaction is entered into by the customer and deducted from the customer's account.

### 3.6 Pension Costs

The Group operates a defined contribution pension scheme and outsources the administration of the pension scheme to a third party. The Group contributes to the pension scheme in line with Auto-enrolment obligations as defined in the Pensions Act 2008 and passes on the employer and employee contributions to the pension scheme administrator on a monthly basis. The employer contributions are recognised as they occur through the payroll.

### 3.7 Share-based payments

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. The cost of equity-settled transactions with employees, is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model, further details of which are given in note 20.

**3 Basis of presentation and significant accounting policies** continued

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described on the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution on the computation of earnings per share. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised.

### 3.8 Research and development

Research costs are expensed as incurred. Expenditure on IT software and development is recognised as an intangible asset only if the expenditure can be measured reliably, the when the intangible asset is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and sell the asset. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

### 3.9 Treatment of Research and Development Tax Credits

Research and development tax credits are treated as a government grant as defined under IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. The tax credit claim is to compensate the Group for expenses incurred therefore they are credited against administration expenses on a systemic basis in the periods in which the expenses are recognised, or if the expenditure has been recognised as an intangible asset on a systemic basis over the useful life of the asset.

### 3.10 Taxation

The tax expense comprises current and deferred tax.

### 3.11 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.12 Intangible assets and goodwill

#### *(i) Recognition and measurement*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### *(ii) Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

| | |
|---|---|
| Customer relationships | 6-9 years |
| Brands | 5 years |
| Trademarks, licences, patented and non-patented technology | 3-10 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.13 Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following basis:

| | |
|---|---|
| Plant and equipment | 20 – 50% |
| Fixtures and fittings | 20% |
| Leasehold improvements | 10 – 25% |

### 3.14 Investments in subsidiaries

Investment in subsidiary undertakings are stated at cost less impairment in value.

### 3.15 Inventories

Inventories comprise of stock of prepaid currency cards not yet distributed to customers. Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. There are no currency amounts loaded on stock of prepaid currency cards.

### 3.16 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 3.23.

### 3.17 Derivative financial assets and liabilities

Derivative financial assets and liabilities are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the income statement. The Group's derivative financial assets and liabilities at fair value through profit or loss comprise solely of forward foreign exchange contracts.

**3 Basis of presentation and significant accounting policies** continued

### 3.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.19 Cash and cash equivalents

These include cash in hand and deposits held at call with banks. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligations. During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

### 3.20 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost using the effective interest method. During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash and the associated customer liability in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

### 3.21 Provisions

A provision is recognised in the statement of financial position when the Company and Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

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

### 3.22 Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company and Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company and Group (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

IFRS 16 *Leases* is applicable from the financial year commencing on 1 January 2019. The Group will be adopting the standard and the transition options and impacts have been explaining further in Note 2(C).

### 3.23 Impairment

#### *A. Non-derivative financial assets*

Policy applicable from 1 January 2018

IFRS 9 offers two approaches for measuring and recognising the loss allowance: General and Simplified. General approach should be applied for all financial assets subject to impairment, except for trade receivables or contract assets (IFRS 15) without significant financing component for these assets simplified approach should be applied.

The Group's financial instruments measured at amortised cost falling within the scope of the standard are (i) trade and other receivables and (ii) cash and cash equivalents. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*Trade and other receivables*

The Group applies the IFRS 9 simplified approach – no need to determine the stage of a financial asset, because a loss allowance is recognised always at a lifetime expected credit loss.

A provision for the impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or significant delinquency in payments are considered indicators that the trade receivable may be impaired. Impairment on trade receivables is written off to the statement of comprehensive income when it is recognised as being impaired.

### Policy applicable before 1 January 2018

Financial assets not classified as at FVTPL, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a Group of financial assets.

*Financial assets at amortised cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

***B. Non-financial assets***

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The Group's CGU's for impairment testing are defined in note 11. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**3 Basis of presentation and significant accounting policies** continued

### 3.24 Judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### *A. Judgements*

The judgements made in applying the Group's account policies that have the most significant effect on the amounts recognised in the financial statements were as follows:

##### (i) Technology development intangibles

Development costs are capitalised based on management's judgements that the project is technologically and economically feasible, the asset is expected to generate future net cash inflows and a successful outcome is probable in accordance with IAS 38 Intangible Assets. For staff not required to complete project timesheets and not solely working in IT development or other related development project teams, management applies judgements relating to the percentage of staff costs directly attributable to the development of internally generated technology intangibles – ranging between 10-100%. The total cost capitalised in the year for staff who were not required to complete timesheets was £1,675,003, which represents 29% of their total annual staff costs.

#### *B. Assumptions and estimation uncertainties*

The assumptions and estimation uncertainties at the end of the financial year that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year were as follows:

##### (i) Share based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 20. The accounting estimates and assumptions relating to these share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. The critical estimate is the term of the share option to vest.

##### (ii) Deferred tax assets

The Group has made estimates in relation of the availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised as set out in note 8.

##### (ii) Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

##### *Measurement of fair values of derivative financial assets and liabilities*

The Group's accounting policies and disclosures require measurement of fair values with regard to derivative financial assets and liabilities. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the reporting date.

##### *Measurement of contingent consideration*

Contingent consideration is measured at fair valued using probability weighted cash flows. The valuation model considers the present value of the expected future payments. The expected payment is determined by considering the possible scenarios, the amount to be paid under each scenario and the probability of each scenario.

The Directors also made the following judgments in the treatment of contingent consideration:

- That the contingent consideration in connection with acquisitions is not linked with the continuing employment of the employee shareholders of the acquires and therefore not treated as remuneration

Measurement of fair values of subsidiaries acquired:
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

#### *(a) Brand names – City Forex Limited acquisition*

The brand names were valued using the relief from royalty approach. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. A royalty rate of 0.007% was used for the purpose of the valuation of the brand names. The discount factor applied in the valuation of the brand names was 17%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used.

### *(b) Customer relationships – City Forex Limited acquisition*

Customer relationships were valued using a multi-period excess earnings approach. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The life of the customer relationships was established through estimated attrition rates. An attrition rate of 21% was used in the valuation of customer relationships. The contributory assets charges were calculated on the basis of an aggregated rate of all contributory assets as an average percentage of revenue over the financial projection period covering the 8 months to 31 October 2019 and 12 month annual periods to 31 October 2025. The discount factor applied in the customer relationships valuation was 17%, comprising of the weighted average cost of capital (WACC).

### *(c) MTS Platform – City Forex Limited acquisition*

The MTS platform was valued using the relief from royalty approach. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. A royalty rate of 0.03% was used for the purpose of the valuation of the MTS platform. The discount factor applied in the valuation of the MTS platform was 17%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used.

### *(d) E-money licence – Q-Money acquisition*

The e-money licence was valued using the current cost to recreate approach. This approach values an intangible asset at the cost that would be incurred in re-creating the asset – either though restoration (creating an identical asset) or replacement (creating a similar asset).

The valuation method used an estimate of the cost of staff members' time to prepare, submit and manage an authorisation process, specialist regulatory consultancy costs, the cost of external contractors and a minimum initial capital required by Electronic Money Regulations 2011. The estimate was based on management's experience.

### *(e) Banking platform and Brand names – Spectrum acquisition*

The banking platform and brand names were valued using the relief from royalty approach. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

A royalty rate of 6.00% was used for the purpose of the valuation of the banking platform. The discount factor applied in the valuation of banking platform was 12.25%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used. A royalty rate of 1.00% was used for the purpose of the valuation of the brand names. The discount factor applied was 12.75% being the WACC together with a margin of 0.50%. The most sensitive factor was the royalty rate used.

### *(f) Customer Relationships – Spectrum acquisition*

Customer relationships were valued using a multi-period excess earnings approach. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The life of the customer relationships was established through estimated attrition rates. The attrition rates used in the valuation of customer relationships were as follows:

- Corporate customers 33%
- Retail customers 31%

The contributory assets charges were calculated on the basis of an aggregated rate of all contributory assets as an average percentage of revenue over the financial projection period covering the years ending 31 December 2017 to 2024. The discount factor applied in the customer relationships valuation was 13.25%, being the weighted average cost of capital (WACC) together with a margin of 1.00%.

### *(g) Impairment of goodwill*

The assumptions and estimates used in the impairment test for goodwill are disclosed in note 11.

## 4. Revenue and segmental analysis

Segment results are reported to the Board of Directors (being the chief operating decision maker) to assess both performance and support strategic decisions. The Board review financial information on revenue for the following segments: Currency Cards, International Payments, Travel Cash, Banking and Central (which includes overheads and corporate costs). Revenue is wholly derived from UK based customers.

In 2018 the Group made some changes to its segment reporting to align with how the Board assess segment performance and support strategic decisions. Following the acquisition of City Forex, the Board of Directors considered that to appropriately assess the performance of the business (including the significant travel cash business acquired), the internal reporting structure should change so that Travel Cash was reported as a separate revenue segment. Furthermore, the Board agreed that the international payments sub-segments of Fairpay and Dealing should be combined under one segment called International Payments in line with how the Board assesses performance and reviews decisions about the segment. For consistency, the prior year comparative balances have been restated below. This restatement did not result in any impact on the total prior year comparatives.

## 4. Revenue and segmental analysis continued

IFRS 15 requires the presentation of disaggregated revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affects by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Board, to evaluate the financial performance of the Group.

| Group | Currency Cards £ | International Payments £ | Travel Cash £ | Banking £ | Central £ | Total £ |
|---|---|---|---|---|---|---|
| 2018 | | | | | | |
| Segment revenue | 9,996,890 | 8,389,851 | 2,076,904 | 5,628,747 | – | 26,092,392 |
| Direct costs | – | – | – | (1,257,901) | (4,348,060) | (5,605,961) |
| Administrative expenses | – | – | – | (3,132,003) | (14,977,621) | (18,109,624) |
| Acquisition costs | – | – | – | – | (297,484) | (297,484) |
| Profit/(loss) before tax | 9,996,890 | 8,389,851 | 2,076,904 | 1,238,843 | (19,623,165) | 2,079,323 |
| Total assets | – | – | – | – | 47,425,064 | 47,425,064 |
| Total liabilities | – | – | – | – | (9,158,694) | (9,158,694) |
| Total net assets | – | – | – | – | 38,266,370 | 38,266,370 |

| Group | Currency Cards £ | International Payments £ | Travel Cash £ | Banking £ | Central £ | Total £ |
|---|---|---|---|---|---|---|
| 2017 | | | | | | |
| Segment revenue | 8,124,165 | 5,108,440 | 331,660 | 1,896,470 | – | 15,460,735 |
| Direct costs | – | – | – | (347,886) | (3,177,790) | (3,525,676) |
| Administrative expenses | – | – | – | (1,346,062) | (10,089,779) | (11,435,841) |
| Acquisition costs | – | – | – | – | (269,769) | (269,769) |
| Profit/(loss) before tax | 8,124,165 | 5,108,440 | 331,660 | 202,522 | (13,537,338) | 229,449 |
| Total assets – restated (note 3.1) | – | – | – | – | 40,384,973 | 40,384,973 |
| Total liabilities – restated (note 3.1) | – | – | – | – | (5,339,542) | (5,339,542) |
| Total net assets | – | – | – | – | 35,045,431 | 35,045,431 |

## 5. Profit before tax – Group

| Profit before tax is stated after charging the following:- | 2018 £ | 2017 £ |
|---|---|---|
| Operating leases – property | 910,947 | 392,377 |
| Operating leases – car | 40,317 | – |
| Depreciation of plant and equipment and fixtures and fittings | 200,123 | 51,727 |
| Amortisation of intangibles | 1,318,649 | 221,117 |
| Net foreign currency differences | 20,274 | 68,186 |
| Research and development costs | – | 1,265,388 |
| Research and development tax credit | (311,156) | (301,032) |

During the year, the Group recognised all of its development costs as intangible assets.

Amounts charged by the Group's auditor are as follows:-

| | 2018 £ | 2017 £ |
|---|---|---|
| Audit fees:- | | |
| Fees payable for the audit of the annual report and financial statements | 32,000 | 70,000 |
| Fees payable for the audit of subsidiaries | 138,000 | 40,000 |
| Additional audit fees payable for the prior year audit of subsidiaries | 28,500 | |
| Total audit fees | 198,500 | 110,000 |

The above audit fee is payable solely to the Group's current auditor, KPMG LLP. There were no non-audit fees during the current and preceding year. These amounts are shown exclusive of VAT.

## 6. Staff costs

### Number of employees

The average number of employees (including Directors) during the year was: -

| | 2018 Headcount | 2017 Headcount |
|---|---|---|
| Administrative staff | 218 | 101 |

### Employee costs

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and salaries | 7,518,190 | 5,354,654 |
| Social security costs | 758,375 | 567,279 |
| Pension costs | 63,253 | 23,028 |
| | 8,339,818 | 5,944,961 |

Employee costs are exclusive of £2,819,567 (2017: Nil) reported within internally generated software intangibles. This comprised the portion of 59 employee costs, which related to the time invested to development of internally generated technology intangibles. Further information regarding share options is given in note 20.

## 7. Company – Directors' remuneration

| | Gross Salary 2018 | Bonus 2018 | Employer Pension 2018 | Total Remuneration 2018 |
|---|---|---|---|---|
| Executive Directors | | | | |
| I A I Strafford-Taylor | 262,500 | – | 703 | 263,203 |

| | Gross Salary 2017 | Bonus 2017 | Employer Pension 2017 | Total Remuneration (Restated*) 2017 |
|---|---|---|---|---|
| Executive Directors | | | | |
| I A I Strafford-Taylor | 245,000 | 237,200 | 386 | 482,586 |

* The Company has restated 2017 Directors remuneration to remove £160,386 of non-executive Directors total remuneration. Non-executive Directors remuneration is disclosed in the Directors' remuneration report.

The total amount payable to Directors when including Directors of all the subsidiaries in the consolidated Group was £964,318 (2017: £1,142,396*). This included pension payments of £4,918 (2017: £772) in the year. Further information regarding share options is given in note 20.

## 8. Taxation

| Group | 2018 £ | 2017 £ |
|---|---|---|
| Current year tax credit | – | (27,179) |
| Changes in tax estimates related to prior years | 32,544 | – |
| Changes in tax estimates in pre-acquisition accounts of businesses acquired during the year | 384,966 | – |
| **Current tax expense/(credit)** | **417,510** | **(27,179)** |
| Origination and reversal of temporary differences | (1,063,420) | (42,046) |
| Recognition of previously unrecognised deductible temporary differences | 107,567 | (148,462) |
| **Deferred tax credit** | **(955,853)** | **(190,508)** |
| **Total tax credit** | **(538,343)** | **(217,687)** |

## 8. Taxation continued

### Factors affecting tax charge for the period

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

| | 2018 £ | 2017 £ |
|---|---|---|
| Profit before taxation: Continuing operations | 2,079,323 | 229,449 |
| Taxation at the UK corporation rate tax of 19.00% (2017: 19.25%) | 395,071 | 44,169 |
| Expenses not deductible for tax purposes | 78,274 | 47,986 |
| Tax losses for which no deferred tax asset utilised | (567) | 6,211 |
| Recognition of deferred tax on previously unrecognised temporary differences | 1,109,588 | – |
| Effect of tax at marginal rate | – | (959) |
| Deferred tax on equity settled share-based payments | – | (126,718) |
| Adjustments to tax liability in respect of previous accounting period | 32,544 | – |
| Recognition of deferred tax on previously unrecognised carry forward tax losses | (1,607,394) | – |
| Net impact of R&D tax credit claim | (545,859) | (188,376) |
| Total tax expense/(credit) for the year | (538,343) | (217,687) |

### Movement in deferred tax balances

| Group | Net balance at 1 January £ | Acquired in business combination £ | Recognised to equity £ | Recognised to profit or loss £ | Balance at 31 December £ | Deferred tax asset £ | Deferred tax liability £ |
|---|---|---|---|---|---|---|---|
| 2018 | | | | | | | |
| Intangibles | (791,499) | (199,308) | – | (770,085) | (1,760,892) | – | (1,760,892) |
| Property plant and equipment | – | (31,431) | – | (107,567) | (138,998) | 717 | (139,715) |
| Equity settled share based payments | 511,912 | – | 549,508 | 10,215 | 1,071,635 | 1,071,635 | – |
| Unutilised tax losses | – | – | – | 1,607,394 | 1,607,394 | 1,607,394 | – |
| Other | – | – | – | 215,896 | 215,896 | 215,896 | – |
| Deferred tax assets/ (liabilities) | (279,587) | (230,739) | 549,508 | 955,853 | 995,035 | 2,895,642 | (1,900,607) |

| Group | Net balance at 1 January £ | Acquired in business combination £ | Recognised to equity £ | Recognised to profit or loss £ | Balance at 31 December £ | Deferred tax asset £ | Deferred tax liability £ |
|---|---|---|---|---|---|---|---|
| 2017 | | | | | | | |
| Intangible | – | (833,545) | – | 42,046 | (791,499) | – | (791,499) |
| Equity settled share based payments | – | – | 363,450 | 148,462 | 511,912 | 511,912 | – |
| Deferred tax assets/ (liabilities) | – | (833,545) | 363,450 | 190,508 | (279,587) | 511,912 | (791,499) |

| Group | 2018 £ | 2017 £ |
|---|---|---|
| Current deferred tax asset | 859,914 | – |
| Non-current deferred tax asset | 2,035,728 | 511,912 |
| Total deferred tax asset | 2,895,642 | 511,912 |
| | | |
| Current deferred tax liability | (356,713) | (117,838) |
| Non-current deferred tax liability | (1,543,894) | (673,661) |
| Total deferred tax liability | (1,900,607) | (791,499) |

Based on the valuation of acquisition intangibles and enacted UK corporation tax rates, the Group has acquired deferred tax liabilities of £199,308 in relation to its acquisition of City Forex Limited (note 11) during the year ended 31 December 2018. The deferred tax will be released to the income statement as the underlying intangible assets are amortised or otherwise recognised via impairment in profit or loss. In the year ended 31 December 2017, the Group also acquired deferred tax liabilities of £833,545 in relation to its acquisition of Spectrum Financial Group Limited and Q Money Limited. The net deferred tax released to the income statement in the year ended 31 December 2018 in relation to the three acquisitions was a charge of £151,042. Future changes in the standard rate of corporation tax have been reflected in the carrying value of the deferred tax liability.

The Group recognised a £921,127 deferred tax liability in relation to technological intangibles assets, which are subject to claims made under the Small or Medium-sized Enterprise (SME) R&D tax relief scheme. Deferred research and development tax credits recognised on a systemic bases over the useful lives of intangible assets have resulted in a deferred tax asset of £215,896. During the year, the Group has recognised a £559,723 deferred tax asset in relation to unexercised share options. Of this amount, £10,215 was recognised in the current year's tax expense and £549,508 was recognised in equity.

The Group has estimated tax losses of £9,268,652 (2017: £9,271,636) available for carry-forward against future trading profits. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset is taken at such point recovery is reasonably certain, which the Group considered on a three-year forecast horizon. During the year, the Group recognised a deferred tax asset of £1,607,394 in relation to carry forward losses expected to be used by 2021. The Group has an unrecognised deferred tax asset of nil (2017: £1,761,611) in respect of the tax losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time. The £32,544 change in tax estimates related to prior years was a result of subsidiaries in the Group not being able to utilise Group tax relief that had been included in the 2017 year-end tax calculations.

During the year ended 31 December 2015, the Government announced provisions further reducing the rate of corporation tax to 19.0% with effect from 1 April 2017 and to 18.0% from 1 April 2020, which were substantially enacted during the year. The tax rate applying from 1 April 2020 was further reduced to 17% during a later year. Therefore, the standard rate of corporation tax applicable to the Group for the year ended 31 December 2018 was 19.0%. The rate in the year ending 31 December 2019 is expected to be 19.0%, the rate in the year ending 31 December 2020 is expected to be 17.5% and the rate in subsequent years is expected to be 17.0%.

## 9. Earnings per share

### Basic earnings per share

The calculation of basic profit or loss per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The profit after tax attributable to ordinary shareholders is £2,617,666 (2017: £447,136) and the weighted average number of shares in issue for the period is 155,368,259 (2017: 121,876,571).

### Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The profit after tax attributable to ordinary shareholders is £2,617,666 (2017: £447,136) and the weighted average number of shares is 159,916,115 (2017: 124,855,331).

## 10. Property, plant and equipment

| Group | Plant and machinery £ | Fixtures and fittings £ | Leasehold improvements £ | Total £ |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2018 | 386,160 | 26,644 | 39,651 | 452,455 |
| Additions | 205,677 | 120,427 | 344,723 | 670,827 |
| Acquisitions through business combinations | 144,878 | – | 188,664 | 333,542 |
| At 31 December 2018 | 736,715 | 147,071 | 573,038 | 1,456,824 |
| Depreciation | | | | |
| At 1 January 2018 | 284,906 | 14,180 | 15,789 | 314,875 |
| Charge for the year | 142,365 | 6,156 | 51,602 | 200,123 |
| At 31 December 2018 | 427,271 | 20,336 | 67,391 | 514,998 |
| Net book value | | | | |
| At 31 December 2018 | 309,444 | 126,735 | 505,647 | 941,826 |

## 10. Property, plant and equipment continued

| Group | Plant and machinery £ | Fixtures and fittings £ | Leasehold improvements £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 282,034 | 16,721 | 39,651 | 338,406 |
| Additions | 77,105 | 6,161 | – | 83,266 |
| Acquisitions through business combinations | 27,021 | 3,762 | – | 30,783 |
| At 31 December 2017 | 386,160 | 26,644 | 39,651 | 452,455 |
| **Depreciation** | | | | |
| At 1 January 2017 | 239,867 | 11,457 | 11,824 | 263,148 |
| Charge for the year | 45,039 | 2,723 | 3,965 | 51,727 |
| At 31 December 2017 | 284,906 | 14,180 | 15,789 | 314,875 |
| **Net book value** | | | | |
| At 31 December 2017 | 101,254 | 12,464 | 23,862 | 137,580 |

## 11. Intangible assets and goodwill

| Group | Goodwill £ | Trademarks, licences, patented and non-patented technology £ | Customer relationships £ | Brands £ | Under construction £ | Total £ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2018 | 12,962,509 | 2,676,979 | 1,794,000 | 293,000 | 143,757 | 17,870,245 |
| Reclassifications | – | 143,757 | – | – | (143,757) | – |
| Additions | – | 4,711,006 | – | – | 1,047,951 | 5,758,957 |
| Acquisitions through business combinations | 3,897,437 | 796,000 | 163,000 | 162,000 | – | 5,018,437 |
| At 31 December 2018 | 16,859,946 | 8,327,742 | 1,957,000 | 455,000 | 1,047,951 | 28,647,639 |
| **Amortisation** | | | | | | |
| At 1 January 2018 | – | 101,917 | 99,667 | 19,533 | – | 221,117 |
| Charge for the year | – | 918,956 | 314,093 | 85,600 | – | 1,318,649 |
| At 31 December 2018 | – | 1,020,873 | 413,760 | 105,133 | – | 1,539,766 |
| **Net book value** | | | | | | |
| At 31 December 2018 | 16,859,946 | 7,306,869 | 1,543,240 | 349,867 | 1,047,951 | 27,107,873 |

| Group | Goodwill £ | Trademarks, licences, patented and non-patented technology £ | Customer relationships £ | Brands £ | Under construction £ | Total £ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2017 | – | – | – | – | – | – |
| Additions | – | 50,000 | – | – | 143,757 | 193,757 |
| Acquisitions through business combinations | 12,962,509 | 2,626,979 | 1,794,000 | 293,000 | – | 17,676,488 |
| At 31 December 2017 | 12,962,509 | 2,676,979 | 1,794,000 | 293,000 | 143,757 | 17,870,245 |
| **Amortisation** | | | | | | |
| At 1 January 2017 | – | – | – | – | – | – |
| Charge for the year | – | 101,917 | 99,667 | 19,533 | – | 221,117 |
| At 31 December 2017 | – | 101,917 | 99,667 | 19,533 | – | 221,117 |
| **Net book value** | | | | | | |
| At 31 December 2017 | 12,962,509 | 2,575,062 | 1,694,333 | 273,467 | 143,757 | 17,649,128 |

The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period. IAS 36 Impairment of Assets requires that intangible assets that are not available for use are required to be tested for impairment at least on an annual basis. The balance at reporting date relates to additions made during the reporting period, which will be tested annually for impairment during the 2019 calendar year.

### Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Impairment testing of goodwill that was recognised in a business combination is required by IAS 36 to be performed on an annual basis or whenever indicators of impairment exist. Where goodwill has been allocated to a cash-generating unit ("CGU") that CGU is tested for impairment to determine whether the carrying amount of the CGU may not be recoverable. The Group has carried out the impairment review of goodwill recognised in the following CGUs as required by IAS 36:

- Banking
- International Payments
- Travel Cash

This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the banking CGU is determined as the higher of fair value less cost of disposal and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the forecast period.

Management estimates discount rates using pre-tax rate that reflects the current market assessment of the time value of money and the specific risks associated with the asset for which the future cash flow estimates have not been adjusted. The rate used to discount the forecast cash flows are based upon the CGU's weighted average cost of capital (WACC). The WACC for the CGUs were Banking: 16.07% (2017: 13.76%), International Payments:16.05% and Travel cash: 16.12%.

The Group prepared cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. For the purpose of the value in use calculation the management forecasts were extrapolated into perpetuity using growth rate of 2.2%, representing the expected long-run rate of inflation in the UK. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. Based on the value in use, each CGU would require the following reduction of revenue each year to result in an impairment at 31 December 2018:

- Banking 7.7%
- International Payments 53.8%
- Travel Cash 51.9%

The following WACC would result in an impairment at 31 December 2018:

- Banking 17.7%
- International Payments 63.5%
- Travel Cash 62.5%

Based on the sensitivity analyses, the Group has determined that for International Payments and Travel Cash there are no reasonably possible changes to the key assumptions which would result in the carrying value of the CGU exceeding its carrying value at 31 December 2018. For Banking a change in the WACC of over 10% would result in an impairment. Therefore, management's view is that the change required in the WACC is a significant increase and so conclude that the Banking CGU does not require impairment.

## 12. Investments

| Company – Shares in subsidiary undertakings | 2018 £ | 2017 £ |
|---|---|---|
| Cost | 29,455,134 | 11,243,460 |
| Additions | 9,270,317 | 18,211,674 |
| At 31 December | 38,725,451 | 29,455,134 |
| Net Book Value | | |
| At 31 December | 38,725,451 | 29,455,134 |

In the opinion of the Directors the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the statement of financial position.

## 12. Investments continued

### Holdings of more than 20%

The Company holds the share capital (both directly and indirectly) of the following companies:

| Subsidiary Undertaking | Country of registration or incorporation | Shares Held Class | % |
|---|---|---|---|
| FairFX (UK) Limited | England and Wales | Ordinary | 100 Dormant |
| FairFX Plc | England and Wales | Ordinary | 100 Trading |
| FairFX Corporate Limited * | England and Wales | Ordinary | 100 Dormant |
| FairFX Wholesale Limited * | England and Wales | Ordinary | 100 Dormant |
| FairFS Limited * | England and Wales | Ordinary | 100 Dormant |
| Fair Foreign Exchange Ireland Limited * | Ireland | Ordinary | 100 Dormant |
| Q Money Limited | England and Wales | Ordinary | 100 Trading |
| Fair Payments Limited (previously Q Money One Limited)* | England and Wales | Ordinary | 100 Trading |
| Spectrum Financial Group Limited | England and Wales | Ordinary | 100 Trading |
| Spectrum Card Services Limited* | England and Wales | Ordinary | 100 Trading |
| Spectrum Payment Services Limited* | England and Wales | Ordinary | 100 Trading |
| Red 88 Limited Co* | England and Wales | Ordinary | 100 Dormant |
| City Forex Limited | England and Wales | Ordinary | 100 Trading |

* Share capital held indirectly

The registered office address of all subsidiary undertakings is 3rd Floor Thames House, Vintners' Place, 68 Upper Thames Street, London, EC4V 3BJ, England.

### Acquisition of subsidiaries

See accounting policy in note 3.2.

#### *(i) City Forex Limited*

On 20 February 2018, the Group acquired the entire ordinary share capital of City Forex Limited. The acquisition has been immediately earnings enhancing and enables the Group to extract increasing economies of scale and cross selling opportunities whilst adding product innovation. By combining the existing FairFX platform with innovative proprietary systems owned by City Forex, the Group has been able to yield further automation efficiencies as well as enable further capacity for growth.

The initial consideration payable for the acquisition was £6,000,000 payable in cash. Further adjusted consideration after working capital adjustments of £3,216,552 was paid in cash. For the period post acquisition to 31 December 2018, City Forex Limited contributed revenue of £4,714,023 and profit before tax of £929,712 to the Group's results. If the acquisition occurred on the 1 January 2018 revenue of £5,322,531 and profit before tax of £946,801 would have been contributed to the Group's results.

The acquisition date fair value of consideration transferred was calculated as follows:

| | £ |
|---|---|
| Cash | 6,000,000 |
| Further consideration | 3,216,552 |
| **Total consideration transferred** | **9,216,552** |

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were as follows:

| | £ |
|---|---|
| Intangibles | 1,121,000 |
| Property, plant and equipment | 333,542 |
| Trade and other receivables | 1,819,769 |
| Cash | 2,652,718 |
| Trade and other payables | (377,175) |
| Deferred tax liabilities | (230,739) |
| **Total identifiable new assets acquired** | **5,319,115** |

The valuation techniques used for measuring the fair value of the intangibles are covered in note 3.24(ii). Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £199,308 was recognised as a result of the identified intangible asset. Goodwill arising from the acquisition has been recognised as follows.

| | £ |
|---|---|
| Consideration transferred | 9,216,552 |
| Fair value of identifiable net assets | 5,319,115 |
| **Goodwill** | **3,897,437** |

Goodwill comprises the value of expected synergies arising from the acquisition and additional value attributed by the acquirer in relation to the future expected cash flows, which is not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

### (ii) Q Money Limited ("Q Money Group")

On 19 January 2017, the Group acquired the entire ordinary share capital of Q Money Limited. Q Money Limited has two wholly owned subsidiaries (Q Money One Limited and Q Technology Limited). Acquiring the Q Money Group and its E-money licence allows the Group to launch a card via a Mastercard Prepaid Issuing Licence and to enhance the Group's payment infrastructure through direct membership of other payment networks. Q Money gained a Mastercard Issuing Licence in December 2017 and so, where appropriate, Group prepaid card programmes will be bought in-house to deliver significant cost savings.

The initial consideration payable for the acquisition was £425,000, satisfied by £110,000 payable from existing cash and by the issue of 724,136 new ordinary shares of 1p each in the Company (the "Initial Consideration Shares") at an issue price of 43.5p. Further contingent consideration of up to £825,000 is subject to the achievement of certain performance milestones,and will be satisfied by the issue of new ordinary shares of 1p each in the Company at an issue price of 43.5p (fixed market share price at acquisition date). Should the share price increase, actual consideration paid would increase.

In order to ensure that the contingent consideration was measured at fair value, adjustments in relation to probability factors and time value of money were made as appropriate. The contingent consideration performance milestones are split into three tranches. The probability used to fair value trance one and two of £250,000 each was 50% in 12 months, 20% in 18 months and 30% not payable at all. The probability used to fair value tranche three of £325,000 was 50% in 30 months, 20% in 36 months and 30% not payable at all. The fair value of all the tranches was determined by discounting the consideration by an after tax cost of debt of 3.62%. The fair value of contingent consideration recognised was £543,172, which was made up of £168,036 for both tranche one and two and £207,100 for tranche three.

For the period post acquisition to 31 December 2017, Q Money Group incurred a loss after tax of £20,522. This loss includes a £11,109 charge for intercompany loan interest payable to the parent Company, which eliminates on Group consolidation. If the acquisition occurred on the 1 January 2017 the loss after tax contributed to the Group would have been £18,975.

The acquisition date fair value of consideration transferred was calculated as follows:

| | £ |
|---|---|
| Cash | 110,000 |
| Share consideration | 314,999 |
| Contingent consideration | 543,172 |
| **Total consideration transferred** | **968,171** |

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were as follows:

| | £ |
|---|---|
| E-money licence | 233,000 |
| Cash | 335 |
| Trade and other receivables | 350,000 |
| Trade and other payables | (354,079) |
| Deferred tax liabilities | (41,105) |
| **Total identifiable new assets acquired** | **188,151** |

## 12. Investments continued

The valuation techniques used for measuring the fair value of the E-money licence are covered in note 3.24(ii). Based on the valuation of the E-money licence and enacted UK corporation tax rates a deferred tax liability of £41,105 was recognised as a result of the identified intangible asset. Goodwill arising from the acquisition has been recognised as follows.

| | £ |
|---|---|
| Consideration transferred | 968,171 |
| Fair value of identifiable net assets | 188,151 |
| **Goodwill** | **780,020** |

Goodwill comprises the value of expected synergies arising from the acquisition and additional value attributed by the acquirer in relation to the future expected cash flows, which is not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

### *(iii) Spectrum Financial Group Limited ("CardOneBanking")*

On 25 August 2017, the Group acquired the entire ordinary share capital of Spectrum Financial Group Limited. Spectrum Financial Group Limited has three wholly owned subsidiaries (Spectrum Card Services Limited, Spectrum Payment Services Limited and Red 88 Limited).

Acquiring CardOneBanking provided the Group with access to key components of digital banking technology and payment infrastructure connectivity allowing the Group to fast track its push into offering digital banking services to the small to medium sized enterprise market. In addition, with the acquisition the Group will be able to achieve greater scale and turnover, buyer-specific synergies and cross selling opportunities.

The initial consideration payable for the Acquisition was £15,000,000, satisfied by £12,817,501 payable in cash (raised during the 24 August 2017 share issue) and by the issue of 3,762,930 new ordinary shares of 1p each in the Company (the "Initial Consideration Shares") at an issue price of 58p (fixed market share price at start of the share capital raise), equating to £2,182,499. As per the Companies Act 2006, section 612, for any shares issued as part of an acquisition merger relief is obtained with the difference between the market price of the shares and the nominal value of the shares taken to a merger reserve. The market price for the Group's shares on the date of acquisition was 72p resulting in the Group recording additional share consideration of £526,810. Further consideration after working capital adjustments of £1,602,730 was paid in cash on the 10 November 2017 using the acquired cash available in CardOneBanking.

For the period post acquisition to 31 December 2017, CardOneBanking contributed revenue of £1,896,470 and profit after tax of £250,223 to the Group's results. If the acquisition occurred on the 1 January 2017 revenue of £5,415,114 and profit after tax of £725,872 would have been contributed to the Group's results.

The acquisition date fair value of consideration transferred was calculated as follows:

| | £ |
|---|---|
| Cash | 12,817,501 |
| Share consideration | 2,709,310 |
| Further cash consideration | 1,602,730 |
| **Total consideration transferred** | **17,129,541** |

The recognised values of assets acquired and liabilities assumed at the date of acquisition were as follows:

| | £ |
|---|---|
| Intangibles | 4,480,979 |
| Property, plant and equipment | 30,783 |
| Inventories | 7,873 |
| Trade and other receivables | 80,610 |
| Cash | 1,702,635 |
| Trade and other payables | (563,388) |
| Deferred tax liability | (792,440) |
| **Total identifiable new assets acquired** | **4,947,052** |

The valuation techniques used for measuring the fair value of the intangibles are covered in note 3.24(ii). Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £792,440 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows.

| | £ |
|---|---|
| Consideration transferred | 17,129,541 |
| Fair value of identifiable net assets | 4,947,052 |
| **Goodwill** | **12,182,489** |

Goodwill comprises the value of expected synergies arising from the acquisition and additional value attributed by the acquirer in relation to the future expected cash flows, which is not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

## 13. Inventories

| Group | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Finished goods | 286,713 | 199,747 |

The Group's inventories comprise stock of cards.

## 14. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>£ | 2017<br>£ | 2018<br>£ | 2017<br>£ |
| Trade receivables | 1,800,453 | 2,419,594 | – | – |
| Amounts due from Group undertakings | – | – | 4,905,334 | 13,212,504 |
| Other receivables | 3,466,503 | 515,063 | – | – |
| Prepayments and accrued income | 1,883,794 | 845,111 | 2,370 | – |
| | 7,150,750 | 3,779,768 | 4,907,704 | 13,212,504 |

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 19.2.

## 15. Cash and cash equivalents

| Group | 2018<br>£ | 2017 (Restated)<br>£ |
|---|---|---|
| Cash at bank | 7,860,368 | 17,803,063 |

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

## 16. Share capital

| Group and Company | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Authorised, issued and fully paid up capital** | | |
| 155,368,259 ordinary shares of £0.01 each | 1,553,682 | 1,553,682 |

Under the principles of reverse acquisition accounting, the Group is presented as if FairFX Group Plc had always owned the FairFX (UK) Limited Group. The comparative and current period consolidated reserves of the Group are adjusted to reflect the statutory share capital and merger reserve of FairFX Group Plc as if it had always existed.

In accordance with IAS 32 Financial Instruments: Presentation, costs incurred which are directly applicable to the raising of finance, are offset against the share premium created upon the share issue. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 17. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** £ | 2017 (Restated) £ | **2018** £ | 2017 £ |
| Trade payables | 3,840,175 | 2,840,845 | 125,467 | – |
| Amounts owing to Group undertakings | – | – | 1,355,524 | 2,074,285 |
| Taxation and social security | 529,980 | 383,446 | – | – |
| Accruals and deferred income | 1,172,683 | 1,178,547 | 141,000 | – |
| Deferred research and development tax credit (note 3.9) | 1,136,293 | – | – | – |
| | 6,679,131 | 4,402,838 | 1,621,991 | 2,074,285 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** £ | 2017 (Restated) £ | **2018** £ | 2017 £ |
| Current | 6,679,131 | 4,402,838 | 1,621,991 | 2,074,285 |

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash and the associated customer liability in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

## 18. Derivative financial assets and financial liabilities

### 18.1 Derivative financial assets

| Group | **Fair Value 2018** £ | **Notional Principal 2018** £ | Fair Value 2017 £ | Notional Principal 2017 £ |
|---|---|---|---|---|
| Foreign exchange forward contracts | 1,181,892 | 41,462,875 | 303,775 | 21,530,930 |
| Total financial instruments at fair value | 1,181,892 | 41,462,875 | 303,775 | 21,530,930 |

### 18.2 Derivative financial liabilities

***Financial liabilities at fair value through profit or loss***

| Group | **Fair Value 2018** £ | **Notional Principal 2018** £ | Fair Value 2017 £ | Notional Principal 2017 £ |
|---|---|---|---|---|
| Foreign exchange forward contracts | 578,956 | 41,105,776 | 145,205 | 21,366,917 |
| Total financial instruments at fair value | 578,956 | 41,105,776 | 145,205 | 21,366,917 |

## 19. Financial instruments

The Group's financial instruments comprise cash, foreign exchange forward contracts and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group. In common with other businesses, the Group is exposed to the risk that arises from its use of financial instruments. The Group does not deal in any financial instrument contracts for its own benefit. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

### 19.1 Principal financial instruments

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

| Group | 2018<br>£ | 2017 (Restated*)<br>£ |
|---|---|---|
| **Financial instruments held at amortised cost** | | |
| Cash and cash equivalents | 7,860,368 | 17,803,063 |
| Trade and other payables | (6,679,131) | (4,402,838) |
| Trade and other receivables | 7,150,750 | 3,779,768 |

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Financial instruments held at fair value through profit or loss** | | |
| Derivative financial assets – Forward foreign exchange contracts | 1,181,892 | 303,775 |
| Derivative financial liabilities – Forward foreign exchange contracts | (578,956) | (145,205) |

* Refer to note 3.1

Trade and other payables generally have a maturity of less than one month.

Forward foreign exchange contracts fall into level 2 of the fair value hierarchy as set out in note 3.24(ii) since 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). In 2018, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a gain of £10,914 (2017: loss of £5,430). This was reported in administration costs in the income statement.

### 19.2 Financial risk management objectives and policies

***Credit risk***

As required under IFRS 9, the Group analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Group has significant short term receivables and security collateral arrangements with bank and other financial institutions and financial service providers, which have either settled post balance sheet date or are considered negligible due to the financial strength of the counterparty. As such the impact of expected credit losses under IFRS 9 have been assessed as minimal.

The ageing of financial assets at the statement of financial position date is as follows:

2018

| Group | Current and not impaired<br>£ | Between 1 and 3 months<br>£ | Between 3 and 12 months<br>£ | Over 1 year<br>£ | Individually impaired<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|
| Trade and other receivables | 7,150,750 | – | – | – | – | 7,150,750 |
| Derivative financial assets | 219,991 | 341,492 | 620,409 | – | – | 1,181,892 |

2017

| Group | Current and not impaired<br>£ | Between 1 and 3 months<br>£ | Between 3 and 12 months<br>£ | Over 1 year<br>£ | Individually impaired<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|
| Trade and other receivables | 3,779,768 | – | – | – | – | 3,779,768 |
| Derivative financial assets | 123,055 | 56,692 | 124,028 | – | – | 303,775 |

## 19. Financial instruments continued

### *Liquidity risk*

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows and available cash balances. The daily settlement flows in respect of financial asset and liability, spot and swap contracts require adequate liquidity which is provided through intra-day settlement facilities. Further details of the risk management objectives and policies are disclosed in the principal risks and uncertainties section of the Strategic Report.

The table below analyses the Group's gross undiscounted financial liabilities by their contractual maturity date.

2018

| Group | On demand and within 1 month £ | Between 1 and 3 months £ | Between 3 and 12 months £ | Over 1 year £ | Total £ |
|---|---|---|---|---|---|
| Trade and other payables | 6,679,131 | – | – | – | 6,679,131 |
| Derivative financial liabilities | 102,115 | 297,485 | 179,356 | – | 578,956 |

2017

| Group | On demand and within 1 month £ | Between 1 and 3 months £ | Between 3 and 12 months £ | Over 1 year £ | Total £ |
|---|---|---|---|---|---|
| Trade and other payables – restated* | 4,402,838 | – | – | – | 4,402,838 |
| Derivative financial liabilities | 76,330 | 22,178 | 46,697 | – | 145,205 |

*Refer to note 3.1

### *Market risk*

Market risk arises from the Group's use of foreign currency. This is detailed below.

### *Interest rate risk*

The Group is subject to interest rate risk as its bank balances are subject to interest at a floating rate. The Group has no borrowings so is not materially affected by changes in interest rates.

### *Foreign currency risk*

The Group's balance sheet currency exposure is primarily managed by matching currency assets with currency liabilities. The largest currency liabilities are created on entering into forward foreign currency transactions. As at 31 December 2018, the Group is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held (2017: £nil).

### *Fair value risk*

The following table shows the carrying amount of financial assets and financial liabilities. It does not include a fair value as the carrying amount is a reasonable approximation of fair value.

| 31 December 2018 | Financial assets £ | Financial liabilities £ | Total £ |
|---|---|---|---|
| Financial assets not measured at fair value | | | |
| Cash and cash equivalents | 7,860,368 | – | 7,860,368 |
| Trade and other receivables | 7,150,750 | – | 7,150,750 |
| | **15,011,118** | **–** | **15,011,118** |
| Financial liabilities not measured at fair value | | | |
| Trade and other payables | – | 6,679,131 | 6,679,131 |
| | **–** | **6,679,131** | **6,679,131** |

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| 31 December 2017 | Financial assets £ | Financial liabilities £ | Total £ |
|---|---|---|---|
| **Financial assets not measured at fair value** | | | |
| Cash and cash equivalents – restated* | 17,803,063 | – | 17,803,063 |
| Trade and other receivables | 3,779,768 | – | 3,779,768 |
| | **21,582,831** | **–** | **21,582,831** |
| **Financial liabilities not measured at fair value** | | | |
| Trade and other payables – restated* | – | 4,402,838 | 4,402,838 |
| | – | 4,402,838 | 4,402,838 |

* Refer to note 3.1

All financial instruments are classified as level 3 financial instruments in the fair value hierarchy, with the exception of Derivative financial assets and liabilities which are level 2 financial instruments.

### *Capital management policy and procedures*

The Group's capital management objectives are:

- to ensure that the Group and Company will be able to continue as a going concern; and
- to maximise the income and capital return to the Company's shareholders.

The parent company is subject to the following externally imposed capital requirements:

- as a public limited company, the Company is required to have a minimum issued share capital of £50,000.

FairFX PLC, a wholly owned subsidiary, is subject to the following externally imposed capital requirements:

- as a company regulated by the Payment Service Regulations 2009, the Company is required to maintain a capital requirement of either 10% of fixed overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

The parent Company has complied with these requirements.

## 20. Share options

The Group issues equity-settled share-based payments to certain Directors and employees. Equity-settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value of options granted has been calculated with reference to the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

During the year ended 31 December 2018, there were a number of share based payment transactions within the Group.

| Date Granted | Exercise price (£) | At 1 January 2018 Number | Granted during year Number | Exercised during year Number | Lapsed during year Number | At 31 December 2018 Number |
|---|---|---|---|---|---|---|
| 22/07/2014 | 0.07 | 200,000 | – | – | – | 200,000 |
| 22/07/2014 | 0.22 | 447,750 | – | – | – | 447,750 |
| 22/07/2014 | 0.36 | 4,063,939 | – | – | – | 4,063,939 |
| 22/07/2014 | 0.58 | 120,000 | – | – | – | 120,000 |
| 22/07/2014 | 1.16 | 120,000 | – | – | – | 120,000 |
| 22/07/2014 | 1.74 | 120,000 | – | – | – | 120,000 |
| 28/09/2016 | 0.30 | 461,111 | – | – | – | 461,111 |
| 28/09/2016 | 0.30 | 461,111 | – | – | – | 461,111 |
| 28/09/2016 | 0.30 | 461,111 | – | – | – | 461,111 |
| 01/12/2016 | 0.27 | 100,000 | – | – | – | 100,000 |
| 01/12/2016 | 0.27 | 100,000 | – | – | – | 100,000 |
| 01/12/2016 | 0.27 | 100,000 | – | – | – | 100,000 |
| 18/01/2017 | 0.44 | 16,667 | – | – | – | 16,667 |
| 18/01/2017 | 0.44 | 16,667 | – | – | – | 16,667 |
| 18/01/2017 | 0.44 | 16,667 | – | – | – | 16,667 |
| Total number of options | | 6,805,023 | – | – | – | 6,805,023 |

The above share options issued in FairFX Plc have been granted to both Directors and employees of the Group. At 31 December 2018, there were unexercised share options amounting to 4.38% (2017: 4.38%) of the Company's total issued shares. Of the above options 5,150,222 (2017: 5,150,222) have been granted to Directors of the Company (see Directors' remuneration report), with an additional 1,504,800 (2017: 1,504,800) having been granted to an individual who is Director of a wholly owned subsidiary within the Group.

## 20. Share options continued

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant. Details of the inputs made into that model are disclosed in the table below.

| | At 1 January 2018 | |
|---|---|---|
| Weighted average share price (£) | 0.45 | |
| Weighted average exercise price (£) | variable | a |
| Expected volatility | 37.7% | b |
| Expected option life in years | 2.6 | |
| Risk-free rate | 0.10% | |
| Expected dividends | none | |
| Fair value of the options granted (£) | variable | c |

a. The weighted average exercise price varies dependent upon the amount stipulated in the individual option deeds. The exercise price ranges from £0.07 – £1.74. No shares were exercised in the year ending 31 December 2018.

b. Expected volatility has been determined on the share price from date of admission up to 31 December in the year the options were granted.

c. A summary of the fair value of the options granted is summarised in the table below. If the fair value of the option was deemed to be nil it is marked accordingly.

| | Exercise price (£) | Fair Value (£) |
|---|---|---|
| 22/07/2014 | 0.07 | 0.28 |
| 22/07/2014 | 0.22 | 0.20 |
| 22/07/2014 | 0.36 | 0.12 |
| 22/07/2014 | 0.58 | – |
| 22/07/2014 | 1.16 | – |
| 22/07/2014 | 1.74 | – |
| 28/09/2016 | 0.30 | 0.13 |
| 01/12/2016 | 0.27 | 0.11 |
| 18/01/2017 | 0.44 | 0.20 |

The total fair value of the options is £835,148 (2017: £781,383). The charge expensed to the statement of comprehensive income is £53,765 (2017: £112,961). During the year the Group recognised a £559,723 (2017: £511,912) deferred tax asset in relation to unexercised share options. Of this amount £10,215 was recognised in the current year's tax credit (2017: £148,463 tax expense) and £549,508 (2017: £363,449) was recognised to equity.

## 21. Financial commitments

As at 31 December 2018 the Group had the following annual commitments under non-cancellable operating leases. The total future value of the minimum lease payments is as follows:

| | Land and buildings | |
|---|---|---|
| | **2018 £** | 2017 £ |
| Not later than one year | 680,951 | 341,597 |
| Later than one year and not later than five years | 3,328,458 | 1,312,297 |
| | 4,009,409 | 1,653,894 |

| | Vehicles | |
|---|---|---|
| | **2018 £** | 2017 £ |
| Not later than one year | 41,674 | – |
| Later than one year and not later than five years | 56,029 | – |
| | 97,703 | – |

## 22. Related party transactions

### Key management personnel

Key management who are responsible for controlling and directing the activities of the Group comprise the executive Directors, the Non-Executive Directors and senior management. The key management compensation is as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Salaries, fees and other short-term employee benefits | 2,049,287 | 1,177,629 |

Other related party transactions:

| | Transaction values for the year ended | | Balance outstanding as at | |
|---|---|---|---|---|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Currency transactions | | | | |
| Subsidiary | | | | |
| - Turnover | 30,778,744 | – | – | – |
| - Revenue – Travel Cash | 202,409 | – | 57,302 | – |
| - Revenue – Banking | 34,680 | – | 34,680 | – |

| | Transaction values for the year ended | | Balance outstanding as at | |
|---|---|---|---|---|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Other | | | | |
| Subsidiary | | | | |
| - Dividends | 2,000,000 | – | – | – |
| - Cost recharges | 803,698 | – | 73,350 | – |
| - Loan and related interest | 9,381 | 11,109 | 370,490 | 361,109 |

All related party transactions and balances are priced and settled on an arm's length basis except for cost recharges, which are priced and settled at original cost. The subsidiary loan and related interest relate to a loan between the Company and Q Money Limited, which is secured by bank balances and shares in the Guarantor Q Money One Limited. None of the other balances are secured or guaranteed. No expense has been recorded for bad or doubtful debts in respect of amounts owed to related parties in the current or prior year.

## 23. Ultimate controlling party

Since 25 August 2017 no party has held a controlling interest in FairFX Group Plc and as such the Directors consider FairFX Group Plc to be the ultimate controlling party.

## 24. Post balance sheet events

On 27th March 2019, Warrants were exercised over 7,500,000 new ordinary shares for a consideration of £2,025,000. The Warrants were issued to Crystal Amber Fund Limited ("Crystal Amber") in conjunction with the Company's equity placing announced in March 2016.

# DIRECTORS AND ADVISORS

| | |
|---|---|
| **Directors:** | J Pearson (Chairman)<br>I A I Strafford-Taylor (Chief Executive Officer)<br>A Chowdhury<br>R M Head |
| **Company Secretary:** | A Quirke |
| **Registered Number:** | 08922461 (England and Wales) |
| **Registered Office:** | 3rd Floor<br>Vintners' Place<br>68 Upper Thames Street<br>London<br>EC4V 3BJ<br>England |
| **Bankers:** | Barclays Bank Plc<br>1 Church Hill Place<br>Canary Wharf<br>E13 5BH<br>England |
| **Auditor:** | KPMG LLP<br>One Snowhill<br>Snow Hill Queensway<br>Birmingham<br>West Midlands<br>B4 6GH<br>England |
| **Solicitors:** | Bates Wells & Braithwaite London LLP<br>10 Queen Street Place<br>London<br>EC4R 1BE<br>England |
| **Nominated Advisor and Joint Broker:** | Cenkos Securities Plc<br>6 7 8 Tokenhouse Yard<br>London<br>EC2R 7AS<br>England |
| **Joint Broker:** | Canaccord Genuity Limited<br>88 Wood Street<br>London<br>EC2V 7QR<br>England |

# NOTES

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