

REGISTERED NUMBER: 05539698 (England and Wales)

FAIRFX PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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FAIRFX PLC

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FAIRFX PLC

DIRECTORS AND ADVISORS

Directors: I A I Trafford – Taylor
J Bean

Company Secretary: J Champion

Registered Number: 05539698 (England and Wales)

Registered Office: Third Floor, Thames House
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ
England

Bankers: Barclays Bank Plc
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W1D 1EA
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Auditor: KPMG LLP
One Snowhill
Snow Hill Queensway
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B4 6GH
England

Solicitors: Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA
England

FAIRFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors of FAIRFX Plc ("the Company") present below the Strategic Report for the year ended 31 December 2014. Since the Company is the only trading company of FAIRFX Group Plc ("FAIRFX" or "the Group"), the Directors consider it appropriate to include extracts of the Group Strategic Report relating to the trading activities and future outlook of the Group and Company

Overview

We are pleased to present the first full year results of FAIRFX GROUP PLC, following its admission to trading on AIM in August 2014. The year ended 31 December 2014 has been an important year for the Group - in addition to our admission to AIM, FAIRFX has delivered record levels of new customers and revenue. With strong growth in demand across both our consumer and business audiences in 2014 we are well placed to grow market share and revenue in the UK and to expand to additional European markets in the year ahead.

Performance Highlights for 2014

- 47.4% increase in revenue to £475.3m
- 86,397 new customers added to the business
- 62% revenue growth to £213.7m within money transfer and deliverable FX execution products
- 36% increase in gross profit to £3.8m

What we do

FAIRFX is a disruptive fintech company, launched in 2007, operating principally in the foreign exchange space. FAIRFX concentrates on "deliverable" foreign exchange (FX) which is the provision of actual currency delivery rather than FX trading. Unlike the FX trading industry, which is at the cutting edge of technology, the deliverable FX sector is typically characterised by low-tech solutions and poor transparency in both private and corporate sectors. FAIRFX was established to challenge that status quo and deliver end-users better value combined with improved service and convenience. We do that by enabling customers to transact seamlessly online or via mobile for both travel money and also money transfers. By employing the best digital and mobile service solutions we avoid the costs of a branch or retail infrastructure – a saving we pass on to our customers with better exchange rates. The ethos of our business is to promote clarity of pricing and to avoid hidden charges. FAIRFX systems were built from inception on the concept of peer-to-peer (P2P) functionality and this will convey further benefit to our customers as the business rolls out internationally.

FAIRFX has 4 key products: Prepaid Currency Cards usable worldwide for purchases and cash withdrawals; a Travel Cash service delivered via Royal Mail; a bank-to-bank international money transfer product; an employee travel expenses solution for businesses. All FAIRFX products are characterised by a simple and fast online on-boarding process.

FAIRFX offers its products to both private and corporate clients and both customer groups are expanding rapidly. Our business principally earns its revenues from the difference between the FX rate it transacts with a customer and the rate at which it covers this via the market or from another customer via P2P. FAIRFX does not actively trade an FX position and is not taking FX risk; rather it is an execution service which takes a spread based on the volume of FX that passes through its products.

Business Review

The biggest event in 2014 was the successful listing of FAIRFX on AIM on 5th August (Ticker: FFX). The principal purpose of the listing was to raise funds in order to expand the available budget for marketing and accelerate market penetration across consumers and businesses. FAIRFX Group Plc. is the listed vehicle and owns 100% of FAIRFX Plc., the operating company. The initial listing was supplemented by a secondary fund-raise in December and hence the business is primed for significant acceleration in 2015.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Group had a very successful and strong year of growth in 2014 with a 47.4% increase in revenue to £475.3 million (2013: £322.4 million). We added 86,397 new customers to the business during 2014, a 46.6% increase on 2013, bringing the total to 404,710 by the year end (2013: 318,313). Strategically, the Group continued on its pursuit of growth and hence marketing expenditure grew further to £1.8 million compared to £0.6 million for 2013. The increase reflected an expansion of TV advertising augmented by pay-per-click (PPC) and affiliate partnerships. Given the “sticky” nature of the FAIRFX customers, the benefit of this spend is expected accrue over many years, particularly in the multi-pay FAIRFX products, namely the prepaid currency cards and travel cash where customers typically re-use and repurchase the products and services

Our growth in 2014 saw all lines of the Company moving forward strongly. The single-pay products, namely FairPay and Deliverable FX execution, advanced particularly rapidly posting revenue growth of 61.5% to £213.7 million (2013: £132.3 million) and further significant expansion is expected in 2015. The growth in single-pay reflects the success of the strategy of cross-selling these products to the multi-pay customer base. Multi-pay revenue, being prepaid cards and travel cash, also saw strong growth of 37.7% to £261.7 million (2013: £190.1 million).

Gross margin for 2014 was £3.8 million (2013: £2.8 million), which comprised of margin on currency transactions of £5.5 million (2013: £3.9 million) less transaction costs of £0.3 million (2013: £0.2 million) and other cost of sales, including all costs associated with fulfilling the prepaid cards of £1.4 million (2013: £0.9million).

Another key area of investment in 2014 has been in headcount. By the end of 2014, FAIRFX Plc had 63 employees compared with 41 a year previously. Early 2015 has seen a bolstering of the management team with the appointment of a Chief Financial Officer (CFO) and a Chief Commercial Officer (COO). The overall headcount growth is expected to be much less in percentage terms in 2015 as the automated nature of the FAIRFX business yields economies of scale. The expansion of headcount combined with the ending of the lease on the previous premises occupied by FAIRFX necessitated an office move in May 2014 which we achieved seamlessly in terms of customer experience.

The Company made a loss for the year of £2.1 million (2013: profit £0.1 million). This loss was forecast as the Company invested in a solid foundation for future growth. The loss included an increase in marketing spend, growth in headcount and the charge for share options granted to incentivise management and staff of £0.3 million.

Strategic Review

FAIRFX, by the nature of its products, has a relatively low margin on each transaction. Accordingly, our key objective for the business is to add customers and drive high volume growth in revenue. The emphasis since 2013 has been on exploiting our digital early-mover advantage and expanding marketing activity in order to increase awareness of FAIRFX's value and service among customers of traditional higher-cost providers such as the Banks, Post Office and Bureau de Change at airports. With relatively low awareness levels around prepaid currency cards, there is a significant opportunity to become a leading category brand.

The Directors intend to increase marketing spend over the next few years to further accelerate customer acquisition. As a marketing-led organization our activities are focused on integrated campaigns targeting travellers and holidaymakers, using traditional advertising media in combination with digital and mobile performance marketing. The Directors believe that the market has currently reached an inflection point and is highly receptive to FAIRFX's customer-centric products at this moment in time.

Against this backdrop, the investment in people and systems development also remain vital and ongoing to ensure we have the capacity to deal with increased activity. The Directors are confident that the investment in this area in 2014 and indeed in 2015 to date sees FAIRFX extremely well placed going forwards as a robust business with excellent scalability.

FAIRFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Smart, segmented cross selling opportunities exist throughout the Group's offerings and are key to FAIRFX's growth strategy. To date, we have focused on growing numbers of consumers in the multi-payments space using the currency card and physical travel money products. The Group is building on existing relationships with multi-pay customers with the aim of offering them the convenience of our higher value, single-payment products as well. Investment by FAIRFX into analysis of the most efficient methods of cross selling and identification of the customers most receptive to this is ongoing and the process continues to become more personalized and sophisticated.

We continued to invest significantly in R&D and innovation to enhance all of our products and services across 2014. FAIRFX is highly focused upon the ease of use of its systems and products and is targeted towards mobile functionality. The FAIRFX App, available on both iOS and Android, is a good example of this and is constantly being enhanced.

The Board

Following the creation of FAIRFX Group Plc in March 2014 and its admission to AIM in August 2014, a new Group Board of Directors was set up as described in the Group Strategic Report. As a result of this reorganisation, there were also a number of changes to the Company Board of Directors. In November 2014, Jason Drummond and Stephen Heath resigned as Directors of the Company and Julian Bean, the Company's Chief Technology Officer was appointed as Director.

Future Outlook

The proceeds from the AIM listing and secondary fundraise in December have provided the Group with funds to continue its growth strategy. This will be achieved principally through increased customer-centric marketing activity and further agile development of our technology platform and digital services. We will also seek to maximize cross-selling opportunities and to target international expansion to increase the Group share of the multi-currency payments market.

Given the Group has now received its EEA-wide licence, initial expansion of operations overseas will be focused on Europe with the intention of launching in Ireland as a first location during 2015. Expansion to markets further afield will also be considered and in some markets growth by acquisition is a possibility depending on appropriate opportunities.

In the core UK market, 2015 will see an extension of the marketing-led growth strategy that has been proven in both 2014 and 2013. Utilizing the proceeds since the AIM listing, the marketing investment will increase further and therefore we expect 2015 to be another year of strong expansion of the key indicators of customers and revenue. FAIRFX is also targeting increased growth in its corporate client base and will be investing further in its Corporate Expenses Management products accordingly.

The business benefits from strong customer loyalty and high levels of reuse and repurchase. We will focus on continually improving service to the customer base in 2015 by focusing on further improving mobile usability and functionality. FAIRFX is set to launch an App for the new Apple Watch to adapt to our customers' changing needs and we will explore geo-location services and mobile wallets to enhance users' experience of its iOS and Android apps. FAIRFX customers will also be able to receive multi-currency inbound payments through the creation of a payment ecosystem.

Since the year ended 31 December 2014, FAIRFX's results to 24 March 2015 have continued the strong growth trajectory of 2014 with all product lines expanding rapidly. It should be noted that this growth has been achieved before the planned expansion of marketing activity which will come into effect later in the year, to coincide with the seasonal peak of our business, and will further boost growth.

FAIRFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Current trading to 24th March 2015 shows revenues as a whole up 90% to £143.1 million (£75.1 million in the equivalent period of 2014) with revenue in multi-pay product lines up 66% to £69.5 million (£41.8 million in the equivalent period of 2014) whilst the single pay offering increased by 121% to £73.6 million (£33.3 million in the equivalent period of 2014). Customer numbers are also expanding rapidly with 21,515 retail customers added so far in 2015 to bring the total to 426,225. This represents 66% growth over the equivalent period in 2014 when 12,960 customers were added. The current expansion of the business will be further supported by the planned integrated marketing campaigns across the key holiday travel periods in 2015. The key focus here will be on above-the-line marketing campaigns including TV advertising and sponsorship of the Formula One Channel on Sky Sports.

In addition, we have had considerable success in expanding our affiliate programme following a good performance in 2014 and have recently signed agreements with Jet2.com, Hotelplan, Laterooms.com and Trinity Mirror.

The Group has also continued to strengthen and refine its compliance procedures and as a validation of this we are delighted to announce that we were granted additional permissions by the FCA under the Authorised Payment Institution regulations in February 2015. The granting of these permissions allows FAIRFX to offer our customers improved protection of their funds in comparison with many of our competitors. The Group will continue to further enhance compliance processes as we continue the lengthy process of application for an eMoney licence, which we hope to complete later in the year.

Principal risks and uncertainties

The directors have reviewed the risks and uncertainties facing the Group and consider the key risk to be financial risk. The Group's overall risk management programme focuses on maximising the financial assets of the Group and minimising financial liabilities whilst not engaging in speculation.

Credit risk

The Company's receivables amounts to £7.9 million (2013: £9.0 million). The receivables include an amount of £7.3 million (2013: £8.5 million) of trade receivables. The directors are of the opinion that all these amounts are recoverable and the Company has no significant credit risk.

Liquidity risk

The Company monitors rolling forecast of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational cash requirements.

The Company has substantial cash reserves amounting to approximately £4.1 million (2013: £2.0 million).

The Group's payables due within one year amount to £13.8 million (2013: £10.8 million). The directors do not foresee any problems in the Company being able to meet its obligations.

In Conclusion

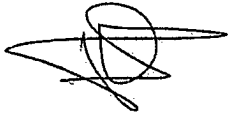
FAIRFX has had a strong year in 2014 and, since joining AIM, we have made further steps to enhance growth and become a marketing-led business with an agile-based technology platform. Against this backdrop of growth we have enhanced the management team of the business and improved controls and Compliance and as such the Company is built on very solid foundations and is built for scale as we look to the future.

We look forward to delivering further growth in the coming year and continuing to meet the expectations of all of our stakeholders.

FAIRFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Strategic Report was approved and authorised for issue by the Board on 29 June 2015 and was signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'I' followed by a large, loopy 'A' and a 'T' that extends to the right.

I A I Trafford-Taylor
Chief Executive Officer

FAIRFX PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors' present their annual report and financial statements for the year ended 31 December 2014.

Financial reporting

The financial statements for the year ended 31 December 2014 are set out on pages 12 to 31 for FAIRFX Plc. These have been prepared in accordance with the Company's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Principal activity

The principal activity of the Company during the year was that of a dedicated provider of foreign exchange payment services to both private clients and corporations through prepaid currency cards, travel cash and international money transfers. FAIRFX Plc is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services.

On 22 July 2014, the entire shareholding of the Company's parent company, FAIRFX (UK) Limited (previously named FAIRFX Group Limited) was acquired by FAIRFX Group Plc through a share for share exchange. 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 FAIRFX Group Plc were admitted to trading on AIM on 5th August 2014.

Post balance sheet event

There have been no material post balance sheet events that would require disclosure or adjustments to these financial statements.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2014.

Payments to creditors

The policy of the Company is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers.

Directors

The following directors have held office during the accounting period:

J Drummond	<i>(resigned 21 November 2014)</i>
S M Heath	<i>(resigned 17 July 2014)</i>
I A I Strafford-Taylor	
J Bean	<i>(appointed 21 November 2014)</i>

Auditor

KPMG LLP were appointed auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Going concern


The financial statements have been prepared on a going concern basis. The Company has reported a net loss for the year of £2.1 million, in line with forecasts, as it invested some of the funds raised following the Group's admission to AIM in August 2014 in marketing and other resources to drive growth. The Company will continue to invest in growth in the foreseeable future and the Directors therefore believe that the Company will likely make a loss for the year ended 31 December 2015, in line with stated strategy, and are budgeting as such. Further information in relation to the Company's business activities is set out in the Strategic Report section of this report on pages 3 to 7.

FAIRFX PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

Based on the Group and Company's budgets and financial projections, the Directors are satisfied that the business is clearly a going concern. This assessment is based on whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Company, the regulatory environment and the effectiveness of risk management policies. Based on their assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

The Directors' Report was approved by the Board on 29 June 2015 and signed on its behalf by:



I A I Trafford-Taylor
Chief Executive Officer

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

FAIRFX PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRFX PLC

We have audited the financial statements of FAIRFX Plc for the year ended 31 December 2014 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

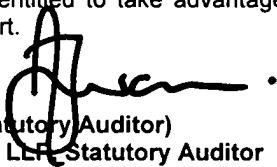
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.


Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
29 June 2015

FAIRFX PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Gross value of currency transactions sold	4	475,345,811	322,384,612
Gross value of currency transactions purchased		(469,864,995)	(318,454,399)
Margin on currency transactions	4	<u>5,480,816</u>	<u>3,930,213</u>
Direct costs		(1,666,109)	(1,157,263)
Gross margin		<u>3,814,707</u>	<u>2,772,950</u>
Administrative expenses		(5,941,197)	(2,643,689)
(Loss)/profit before tax and from operations	5	<u>(2,126,490)</u>	<u>129,261</u>
Tax expense	8	-	-
(Loss)/profit for the year		<u>(2,126,490)</u>	<u>129,261</u>

All amounts relate to continuing activities.

The notes on pages 16 to 31 form an integral part of these financial statements.

FAIRFX PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 £	2013 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	112,759	34,152
		<u>112,759</u>	<u>34,152</u>
Current assets			
Inventories	10	161,149	76,281
Trade and other receivables	11	7,899,101	9,035,474
Cash and cash equivalents	12	4,085,137	2,006,288
		<u>12,145,387</u>	<u>11,118,043</u>
TOTAL ASSETS		12,258,146	11,152,195
EQUITY AND LIABILITIES			
Equity attributable to Equity holders			
Share capital	13	122,150	122,150
Share premium		5,428,121	5,428,121
Share based payment reserve		270,225	-
Retained deficit		(7,358,538)	(5,232,048)
Total equity		(1,538,042)	318,223
Current Liabilities			
Borrowings	14	334,882	446,510
Trade and other payables	15	13,461,306	10,387,462
		<u>13,796,188</u>	<u>10,833,972</u>
TOTAL EQUITY AND LIABILITIES		12,258,146	11,152,195

The notes on pages 16 to 31 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 29 June 2015 and were signed on its behalf by:



I A I Stafford-Taylor
Director

Company Registration number: 05539698

FAIRFX PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £	Share premium £	Share based payment £	Retained deficit £	Total £
Balance as at 1 January 2013	122,150	5,428,121	-	(5,361,309)	188,962
Profit for the year	-	-	-	129,261	129,261
Balance as at 31 December 2013	122,150	5,428,121	-	(5,232,048)	318,223
Loss for the year	-	-	-	(2,126,490)	(2,126,490)
Share based payment charge	-	-	270,225	-	270,225
Balance as at 31 December 2014	122,150	5,428,121	270,225	(7,358,538)	(1,538,042)

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.
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.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
(Loss)/profit for the year		(2,126,490)	129,261
Cash flows from operating activities			
<i>Adjustments for:</i>			
Depreciation		55,537	23,558
Share based payment charge		270,225	-
Decrease/(increase) in trade and other receivables		1,136,373	(5,820,644)
Decrease in borrowings		(111,628)	-
Increase in trade and other payables		3,073,844	5,361,910
Increase in inventories		(84,868)	(3,643)
Net cash flow used by / (from) operating activities		<u>2,212,993</u>	<u>(309,558)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(134,144)	(20,100)
Net cash used in investing activities		<u>(134,144)</u>	<u>(20,100)</u>
Net increase/(decrease) in cash and cash equivalents		2,078,849	(329,658)
Cash and cash equivalents at the beginning of the year		<u>2,006,288</u>	<u>2,335,946</u>
Cash and cash equivalents at end of the year	12	<u><u>4,085,137</u></u>	<u><u>2,006,288</u></u>

The notes on pages 16 to 31 form an integral part of these financial statements.

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. General information

FAIRFX Plc (the "Company") is a limited liability company incorporated and domiciled in England and Wales and its principal activity is that of selling of foreign currency via technology platforms offered on the internet.

The Company's financial statements for the year ended 31 December 2014 were authorised for issue on 29 June 2015 and the statement of financial position signed by I A I Trafford-Taylor on behalf of the board.

2. Standards, amendments and interpretations to published standards

The Company 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 period beginning 1 January 2014.

Adoption of new and revised accounting standards and interpretations:

- IFRS 10 Consolidated Financial Statements (Amendment). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- IFRS 11 Joint Arrangements (Amendment). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 Disclosure of Interests in Other Entities (Amendment). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.
- IAS 32 Financial Instruments (Amendment). Presentation on assets and liabilities offsetting (Amendment): This standard provides clarification on offsetting rules.
- IAS 36 Impairment of Assets (Amendment). These amendments address disclosure of information about the recoverable amount of impaired assets.
- IAS 39 Novation of derivatives and continuation of hedge accounting (Amendment). These amendments provide an exception to the requirement for the discontinuation of hedge accounting in IAS 30.
- IFRIC 21 Levies. Clarifies when to recognise a liability to pay a government levy that is accounted for in accordance with IFRS 37.

The adoption of the new applicable standards have not had a significant impact on the financial reporting of the Company.

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 adopted, many of which are either not relevant to the Company or have no material effect on the financial statements of the Company.

	Effective Dates *
IAS 19 Employee Benefits	1 July 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Accounting for acquisitions of interests in Joint Operations (Amendment)	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the 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

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

given in the original standard of interpretation but the need for endorsement restricts the 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 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.

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"). The financial statements are presented in sterling, the Company's functional currency.

IFRS requires management to make certain critical accounting estimates and to exercise judgement in the process of applying the Company's accounting policies. These estimates are based on the directors' and independent professional's best knowledge and past experience and are explained in note 3.17.

In the opinion of the directors, based on the Company's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the Company 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 Foreign currency

In preparing these financial statements, transactions in currencies other than the Company's functional 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 at the 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 statement of comprehensive income for the year.

3.3 Inventories

Inventories are valued at the lower of cost and net realisable value on a first in first out basis. Inventories comprise of stock of prepay and travel cards not yet distributed to customers.

3.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any provision for impairment losses.

A provision for impairment of trade receivables is established when there is objective evidence that the Company 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.

Other receivables are recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

3.5 Cash and cash equivalents

These include cash in hand and deposits held at call with banks.

3.6 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost using the effective interest method. These arise principally from the receipt of goods and services.

3.7 Provisions

A provision is recognised in the statement of financial position when the Company 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.

3.8 Taxation

The tax expense represents the sum of the tax currently payable.

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 statement of financial position date.

3.9 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 Company 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 Company 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 difference 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

3.10 Income recognition

The gross value of currency transactions sold by the Company represents revenue. The gross value of currency transactions purchased by the Company and direct costs represent cost of sales.

Revenue is recognised when a binding contract is entered into by a client and the profit is fixed and determined. The profit is the margin derived between the rate offered to clients and the rate the Company receives from its liquidity providers. When the Company enters into a contract for forward delivery with a client it also enters into a separate matched forward contract with its bankers. As each trade is booked back to back with a liquidity provider the margin is accounted for once the binding contract is formed.

Where a contract for forward delivery is open as at the year end, the balance of the contract due from the client at the maturity date is included in trade receivables and the corresponding liability with the Company's bankers is included in trade payables.

3.11 Research and development

Research costs are expensed as incurred. Expenditure on IT software and development is recognised as an intangible asset when the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

3.12 Interest expense recognition

Interest expense is recognised as interest accrues, using the effective interest method, on the net carrying amount of the financial liability.

3.13 Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

3.14 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.

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	33%
Fixtures and fittings	20%
Leasehold improvements	10%

A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

3.15 Share-based payments

Employees (including directors) of the Company 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 18.

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 Company'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 recognized 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.

3.16 Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (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 (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.

3.17 Critical judgements and estimations**Judgements**

In the process of applying the Company's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. They are also required to use certain critical accounting estimates and assumptions regarding the future that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year. The critical judgements are considered to be the following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

(i) Share based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Company makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 18. 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.

(ii) Impairment of trade receivables

The assessments undertaken in recognising provisions and contingencies are made in accordance with IAS 39. A provision for impairment of trade receivables is established when there is objective evidence that the Company 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.

(iii) Measurement of fair values

A number of the Company's accounting policies and disclosures require measurement of fair values for financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company 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).

4. Revenue and segmental analysis

The revenue for the Company is generated through the provision of foreign currency services and this is the sole operating segment of the Company. The revenue is wholly derived from within the UK.

5. Operating loss

Operating loss is stated after charging the following:-

	2014	2013
	£	£
Operating lease - property	135,486	75,436
Depreciation of plant and equipment and fixtures and fittings	55,537	23,558
Net foreign currency differences	41,490	59,766
Research & development costs	514,976	234,193

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

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

	2014 £	2013 £
Audit fees:-		
Company audit fees	34,000	13,400
Total audit fees	34,000	13,400
Other services:-		
Taxation services	1,000	1,000
Total non-audit fees	1,000	1,000
Total Fees	35,000	14,400

The 2013 audit fee payable was solely to the Company's previous auditor, Gerald Edelman. The 2014 audit fee is payable solely to the Company's current auditor, KPMG LLP. These amounts are shown exclusive of VAT.

6. Staff costs

Number of employees

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

	2014 Number	2013 Number
Administrative staff	53	36

Employee costs

	2014 £	2013 £
Wages and salaries	2,169,651	1,359,930
Social security costs	253,222	149,050
	2,422,873	1,508,980

There were no pension payments in respect of either year. Further information regarding share options is given in note 18.

7. Directors' remuneration

	2014 £	2013 £
Emoluments	482,522	251,750

The total amount payable to the highest paid director in respect of emoluments was £354,942 (2013: £177,500)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

There were no pension payments in respect of either year. Further information regarding share options is given in note 18.

8. Taxation

	2014 £	2013 £
Current year tax expenses	-	-
	-	-

Factors affecting tax charge for the period

The charge for the year can be reconciled to the (loss)/profit per the statement of comprehensive income as follows:

	2014 £	2013 £
(Loss)/profit before taxation: Continuing operations	(2,126,490)	129,261
Taxation at the UK corporation rate tax of 21% (2013: 22%)	(446,563)	28,437
Capital allowances in (advance) / arrears of depreciation	(8,999)	365
Share based payments	56,747	-
Net impact of R&D tax credit claim	25,489	-
Expenses not deductible for tax purposes	8,700	5,670
Tax losses utilised	-	(34,472)
Tax losses for which no deferred tax asset recognised	364,626	-
Total tax for the year	-	-

The Company has estimated losses of £6,620,384 (2013: £5,337,662) available for carry forward against future trading profits. The Company has incurred losses in the current year. 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 will be taken at such point recovery is reasonably certain, when the Company returns to profitability. The Company has an unrecognised deferred tax asset of £1,390,281 (2013: £1,174,286) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

The Finance Act 2013 was substantively enacted on 2 July 2013. This reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

9. Property, plant and equipment

	Plant and machinery	Fixtures and fittings	Leasehold improve- ments	Total
	£	£	£	£
Cost				
At 1 January 2014	124,190	8,985	-	133,175
Additions	92,606	2,603	38,935	134,144
At 31 December 2014	<u>216,796</u>	<u>11,588</u>	<u>38,935</u>	<u>267,319</u>
Depreciation				
At 1 January 2014	92,702	6,321	-	99,023
Charge for the year	50,343	1,300	3,894	55,537
At 31 December 2014	<u>143,045</u>	<u>7,621</u>	<u>3,894</u>	<u>154,560</u>
Net book value				
At 31 December 2014	<u>73,751</u>	<u>3,967</u>	<u>35,041</u>	<u>112,759</u>
At 31 December 2013	<u>31,488</u>	<u>2,664</u>	<u>-</u>	<u>34,152</u>

10. Inventories

	2014	2013
	£	£
Finished goods	<u>161,149</u>	<u>76,281</u>

The Company's inventories comprise stock of cards.

11. Trade and other receivables

	2014	2013
	£	£
Trade receivables	7,275,003	8,481,405
Other receivables	460,492	348,043
Prepayments and accrued income	163,606	206,026
	<u>7,899,101</u>	<u>9,035,474</u>

Included in trade receivables is £6,261,923 (2013: £7,395,829) due from customers of open forward contracts as at the year end.

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 16.2.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12. Cash and cash equivalents

	2014 £	2013 £
Cash at bank	<u>4,085,137</u>	<u>2,006,288</u>

Included in cash and cash equivalents at 31 December 2015 was £2,054,109 of customer trading funds (2013: £1,337,738).

13. Share capital

	2014 £	2013 £
Authorised		
10,000,000 ordinary shares of £0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid up capital		
1,221,501 ordinary shares of £0.10 each	<u>122,150</u>	<u>122,150</u>

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.

14. Borrowings

	2014 £	2013 £
Director's loan	-	111,628
Shareholder loan	<u>334,882</u>	<u>334,882</u>
	<u>334,882</u>	<u>446,510</u>

Details of the Directors and Shareholder loans are included in Note 20 below.

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

15. Trade and other payables

	2014 £	2013 £
Trade payables	9,447,609	9,421,016
Amounts due to Company undertaking	3,424,176	480,555
Taxation and social security	88,166	51,358
Accruals and deferred income	501,355	434,533
	<u>13,461,306</u>	<u>10,387,462</u>
	2014 £	2013 £
Current	<u>13,461,306</u>	<u>10,387,462</u>

Included in trade payables is £6,214,782 (2013: £7,368,104) due to third parties of open forward contracts as at the year end.

17. Financial instruments

The Company's financial instruments comprise cash and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Company. In common with other businesses, the Company is exposed to the risk that arises from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these financial statements.

17.1 Principal financial instruments

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

	2014 £	2013 £
Cash and cash equivalents	4,085,137	2,006,288
Borrowings	(334,882)	(446,510)
Trade and other payables	(13,461,306)	(10,387,462)
Trade and other receivables	<u>7,899,101</u>	<u>9,035,474</u>

Trade and other payables generally have short time to maturity. Current borrowings have a maturity date of 9 June 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

17.2 Financial risk management objectives and policies

Credit risk

The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked daily to ensure that the risk of exposure to bad debts is minimised and margined accordingly. The Company's risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company had no significant concentrations of risk with customers and counterparties at 31 December 2014.

The Company's exposure to credit related losses, in the event of non-performance by customers relates mostly to wholesale business. The risk on wholesale business is minimal as Company policies require new customers to be reviewed for creditworthiness before standard payment and delivery terms and conditions are entered into. Individual credit terms are set and monitored regularly.

The Company's cash balances are all held with major banking institutions. The majority of trade receivables are due from credit worthy customers and or financial institutions and are automatically settled within a few days of arising.

The credit risk from other financial contractual relationships, including other receivables, are not considered material.

Where forward contracts are not fully settled by the maturity date, appropriate action is agreed with the customer to roll forward the contract to a future date.

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.

All of the Company's financial liabilities have a contractual maturity date of within one year from the 31 December 2014.

Market risk

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

Interest rate risk

The Company is subject to interest rate risk as its bank balances are subject to interest at a floating rate. Due to the current low levels of borrowings, the Company is not materially affected by changes in interest rates.

Foreign currency risk

The Company's balance sheet currency exposure is primarily managed by matching currency assets with currency borrowings. The largest currency liabilities are created on entering into forward foreign currency transactions.

As at 31 December 2014, the Company is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held.

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014	Loans and receivables	Other financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	4,085,137	-	4,085,137
Trade and other receivables	1,637,179	-	1,637,179
Other forward exchange contracts	6,261,922		6,261,922
	11,984,238	-	11,984,238
Financial liabilities not measured at fair value			
Borrowings	-	(334,882)	(334,882)
Trade and other payables	-	(7,246,523)	(7,246,523)
Other forward exchange contracts		(6,214,782)	(6,214,782)
	-	(13,796,187)	(13,796,187)
31 December 2013	Loans and receivables	Other Financial Liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	2,006,288	-	2,006,288
Trade and other receivables	1,639,645	-	1,639,645
Other forward exchange contracts	7,395,829		7,395,829
	11,041,762	-	11,041,762
Financial liabilities not measured at fair value			
Borrowings	-	(446,510)	(446,510)
Trade and other payables	-	(3,019,358)	(3,019,358)
Other forward exchange contracts	-	(7,368,104)	(7,368,104)
	-	(10,833,972)	(10,833,972)

All financial instruments are classified as level 1 financial instruments in the fair value hierarchy, with the exception of Other forward exchange contracts and Borrowings which are level 2 financial instruments.

Capital management policy and procedures

The Company's capital management objectives are:

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

The 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; and
- 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 €25,000, whichever is the higher.

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

Since its incorporation, the Company has complied with these requirements, which are unchanged since the previous year end.

18. 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 2014, there were a number of share based payment transactions within the Company. These included an agreed cancellation of the share options in existence at the start of the year and a subsequent granting of new options in the Group at various exercise prices. These movements are disclosed within the tables below:

Historic options	2014	2014	2013	2013
	Exercise price (£)	Number	Exercise price (£)	Number
Outstanding at 1 January	0.10	142,228	0.10	142,228
Cancelled during the year	0.10	(142,228)	0.10	-
Outstanding at 31 December	0.10	-	0.10	142,228

Historically, the Company granted share options to its director and employees as well as external third parties. At the start of the year there were 142,228 unexercised share options. Of these options 48,681 were granted to two directors of the Group. The directors consider that the fair value of the options was immaterial and therefore no charge has been made in the statement of comprehensive income. The entirety of these options were cancelled during the year.

Options issued during year	2014	2014
	Exercise price (£)	Number
Granted during the year	0.07	200,000
Granted during the year	0.22	447,750
Granted during the year	0.36	4,175,050
Outstanding at 31 December		4,822,800

The above share options issued in FAIRFX Group Plc have been granted to both directors and employees of the Company. At the year end, there were unexercised share options from directors and employees of the Company amounting to 7% of the Group's total issued shares. Of the above options 4,372,800 have been granted to directors of the Company. All of the above options are exercisable one year following the Group's Admission to AIM and will lapse on 3 November 2019.

The directors have valued the share options at date of grant using the Black Scholes pricing model. Details of the inputs made into that model are disclosed in the table below

FAIRFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

Weighted average share price (£)	0.45	
Weighted average exercise price (£)	variable	a
Expected volatility	21%	b
Expected option life in years	4.5	
Risk-free rate	1.09%	
Expected dividends	none	
Fair value of the options granted (£)	variable	c

- The weighted average exercise price varies dependant upon the amount stipulated in the individual option deeds. The exercise price ranges from £0.07 - £0.36.
- Expected volatility has been determined on the share price from date of admission up to 31st December 2014.
- 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 (£)
0.07	0.28
0.22	0.20
0.36	0.12

The total fair value of the options is £646,113. The charge incurred has been spread over the vesting period, with £270,225 being expensed to the statement of comprehensive income for the year ended 31 December 2014.

The most significant assumption used when arriving at the valuation is volatility. A movement of 5% in this assumption would have an income statement effect of approximately £55,000.

19. Financial commitments

As at 31 December 2014 the Company 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	
	2014	2013
	£	£
Not later than one year	218,927	27,875
Later than one year and not later than five years	189,537	-
	<u>408,464</u>	<u>27,875</u>

The Company took an assignment of the lease on its office premises on 6th May 2014. The lease runs until 12th November 2016 at an annual rental of £148,688 and a service charge of £80,132. An incentive, paid by the assignor on assignment of the lease of £100,000 is amortised over the remaining term of the lease.

20. Related party transactions

Loans from related parties

Included within Current borrowings are amounts of £334,882 (2013: £334,882) due to Pembar Limited and £nil (2013: £111,628) due to Jason Drummond. Pembar Limited is a company incorporated in British Virgin Islands and is the

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

controlling party of FAIRFX Group Plc. Jason Drummond was a director of the Company during the year. Each of the transactions was concluded at arm's length. Details of the loans are as follows:

- The loan from Pembar Limited dated 9 June 2006 carries interest at a rate of 2% over the Bank of England base rate and is repayable in full by 9 June 2016. The Company has undertaken to repay the loans along with any relevant accrued interest by June 2016. The Company may also choose, at its discretion, to repay the loans in whole or in part at an earlier date. The lender has agreed to waive the interest payable in respect of all previous years and the current period ended 31 December 2014.
- The loan from Jason Drummond dated 9 June 2006 carried interest at a rate of 2% over Bank of England base rate and was repayable in full by 9 June 2016. On 21st November, the Company agreed to repay the loan with accrued interest giving a total repayable of £113,886. Jason Drummond agreed to subscribe for 199,800 ordinary shares of 1 penny each in FAIRFX Group Plc ("Ordinary Shares") at a price of 57 pence per Ordinary Share.

Amounts owed to Group undertakings

Included within current trade and other payables are the following amounts owed to Group undertakings:

- £2,943,621 (2013: Nil), due to FAIRFX Group Plc, the Company's parent company. This amount relates to the proceeds from the initial listing of FAIRFX Group Plc on AIM on 5th August 2014 along with the proceeds from the secondary fund-raise in December 2014 net of associated listing and fund raising costs.
- £480,555 (2013: £480,555), due to FAIRFX (UK) Limited, the Company's immediate parent company.

Key management personnel

Key management who are responsible for controlling and directing the activities of the Company comprises the executive Directors and senior management. The key management compensation is as follows:-

	2014	2013
	£	£
Salaries, fees and other short term employee benefits	735,684	404,216

There are no other related party transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Company during the year ended 31 December 2014.

21. Ultimate controlling party

FAIRFX (UK) Ltd is the Company's immediate parent company which is wholly owned by FAIRFX Group Plc.

Pembar Limited holds a significant interest in FAIRFX Group Plc, albeit short of necessary level to exert control over the entity. However, there are individuals connected to the directors of Pembar Limited through familial links who also have shareholdings in FAIRFX Group Plc. Consequently, it is the opinion of the directors that Pembar Limited is the immediate parent company of FAIRFX Group Plc.

The ultimate controlling party is The General Trust Company SA, an off-shore trust which wholly owns Pembar Limited.