

FAIRFX PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



FairFX PLC

CONTENTS

Directors and advisors	2
Strategic report	3
Directors' report	6
Directors' responsibilities statement	7
Independent Auditor's Report.....	8
Statement of comprehensive income.....	10
Statement of financial position	11
Statement of changes in equity	13
Statement of cash flows.....	14
Notes to the financial statements	15 - 43

FairFX PLC

DIRECTORS AND ADVISORS

Directors:	I A I Trafford – Taylor J Hickman J Bean S England A Quirke
Company Secretary:	A Quirke
Registered Number:	05539698 (England and Wales)
Registered Office:	Third Floor, Thames House Vintners Place 68 Upper Thames Street London EC4V 3BJ England
Banker:	Barclays Bank Plc 11 th Floor, 1 Churchill Place Canary Wharf London E14 5HP England
Auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH England
Solicitors:	Bates Wells & Braithwaite London LLP 10 Queen Street Place London EC4R 1BE England

FairFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

About FairFX

FairFX is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior user experience and low-cost operating model. Our business enables personal and business customers to make easy, low-cost multi-currency payments in a broad range of currencies and across a range of products all via one integrated system. The FairFX platform facilitates payments either direct to Bank Accounts or at 32 million merchants and over 1 million ATM's in a broad range of countries globally 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, Physical Currency and International Payments. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATM's whereas the International Payments channel supports wire transfer foreign exchange transactions direct to Bank Accounts. For Corporates, FairFX has a market-leading business-expenses solution based around its corporate platform and prepaid card. This service can yield significant savings on a Corporate's expenses and procurement both domestically and overseas, through better controls and improved transparency. The platform also streamlines the downstream administrative processes and integrates into accounting software, thus saving costs. FairFX offers retail and business bank accounts with all the functionality you would expect from a bank, namely faster payments, BACS, direct debits, international payments and a debit card.

Chief Executive's statement

Trading performance

2018 was a transformational year for FairFX and marked a step-change in delivering on the FairFX Plc (Company) strategy, with nearly £1 billion of Turnover (measured by the gross value of currency transactions sold) generated and achieving profitability for the first time since its admission to AIM.

The Company's core businesses have continued to perform well, with Currency Card and International Payments turnover up 9.1% and 36.5% respectively. The Company has also made further investment in its technology and platform functionality to improve user experience and facilitate repeat business and cross-selling. Significant enhancements were made in the year to both Corporate and Retail offerings across all platforms, namely web, mobile-responsive web-usage and app. Further development of user experience will remain a key theme for 2019 as we extract more efficiency from our functionally rich platform.

As the business continues to scale and data protection issues increase in importance to the market and regulators, the Board believes that it is vital to continue to proactively insource more of its supply chain, thereby removing intermediaries, increasing the quality of services offered, optimising risk, and enabling greater control of processes and, in turn, improving gross margins.

The Company's continual focus on improving its offering and user experience has been integral to its success to date. As a challenger brand in a rapidly evolving sector, FairFX recognises the importance of delivering a service which fits with the changing needs of consumers and businesses in order to stay ahead of the competition and retain its customers. As such the Directors believe the Company is in a strong position to execute its ongoing strategy to grow its customer base, broaden its customer offering and further establish itself as a major player in the financial services sector.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Trading performance

I am pleased to report on the Company's significant achievements during its financial year ended 31 December 2018 ("FY 2018"). We had another successful year with strong turnover and revenue growth coupled with a move into full year profitability for the first time since the admission of FairFX Group Plc (the Group) to AIM. The results demonstrate how the stated strategy of the Company, namely adding scale and efficiency coupled with product innovation are bearing fruit.

Company turnover rose 22.9% to in excess of £1.1 billion (2017: £0.9 billion), generating a profit after tax of £2.29 million (2017: profit £0.6 million). Within the total turnover, Corporate Cards was £171 million, up 31.3% (2017: £130.2 million). Foreign exchange dealing turnover contributed £728.2 million representing an increase of 36.5% (2017: £533.7 million).

Within Prepaid Currency Cards and Travel Cash, the Corporate Expenses Platform, which enables businesses to better control their expenses and procurement, continued its strong year-on-year growth trend, up 31.3% on the previous year to £171 million. On the Retail consumer side, the prepaid card fell by 3.7% to £216.5 million and Travel Cash fell by 26.8% to £34.8 million from £47.7 million. The performance on cards within Retail is encouraging when measured against the high level of competition in this space and we launched additional features in 2018 which should further boost growth. The performance in Travel Cash was partly due to reducing the amount we were prepared to pay to acquire a customer to fit within our policy, implemented in 2017, to cap cost per acquisition (CPA) for all of our products at less than or equal to the year 1 value of a customer.

The Company's push into the corporate market can be demonstrated by the growth of corporate turnover as % of total turnover. For FY 2018, corporate turnover was 14.9% (2017: 13.9%) of total turnover, an increase of 6.8%.

Company revenue increased 17.3% to £15.9 million (2017: £13.6 million) with revenue margin (revenue over turnover) fell by 4.5% to 1.38% (2017: 1.45%). Revenue growth was driven by International Payments up 11.4% to £5.6 million and Currency Cards up 23.1% to £10 million.

Gross profit was £12.2 million (2017: £10.4 million), up 17.9% on 2017. Company gross profit is stated after the deduction of direct costs which rose by 15.6% to £3.7 million (2017: £3.2 million). The gross profit margin (gross profit over revenue) increased to 76.9% (2017: 76.6%) showing that the focus on costs in the year is bearing fruit and this trend is expected to continue into 2018.

Company overheads increased to £10.9 million (2017: £9.9m), an increase of 10.5% as the Company continues to invest for growth, most notably in adding talent into design, product management and development.

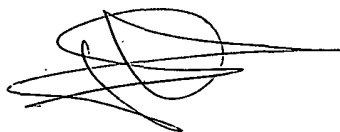
The profit before tax of £1.3m (2017: profit £0.5m) is a milestone result for the Company following the investments made by the business in previous years.

The net cash position of the Company at 31st December 2018 was £4 million, excluding client funds (2017: £10 million). Accordingly, the Company has sufficient cash resources to continue implementing its growth strategy.

FairFX PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Company will contribute to the Group Strategy by driving through business efficiencies through a combination of increasing scale, selective internalisation of the supply chain and improved customer experience of our products. And will continue to roll out innovative new products.



Ian Strafford - Taylor
Chief Executive Officer
24th June 2019

FairFX PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Financial reporting

The financial statements for the year ended 31 December 2018 are set out on pages 10 to 34 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 activities

The principal activities of the Company during the year were to provide foreign exchange payment services to private clients and corporations through prepaid currency cards, travel cash and international money transfers. The Company is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services. The Company is a wholly owned subsidiary through direct and indirect holdings of FairFX Group PLC.

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 accounting period:

I A I Trafford – Taylor
J Hickman
J Bean
S England
A Quirke

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.

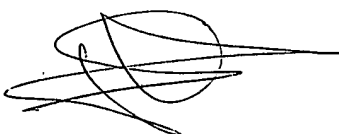
Disclosure of information to auditor

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 Company'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 Company, the regulatory environment and the effectiveness of risk management policies.

The Directors' Report was approved by the Board on 24th June 2019 and signed on its behalf by:



I A I Trafford-Taylor
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

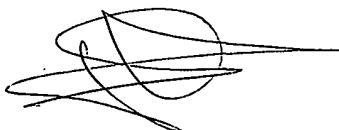
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the 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 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 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 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 company and to prevent and detect fraud and other irregularities.



I A I Trafford-Taylor
Chief Executive Officer

FairFX PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FairFX PLC

Opinion

We have audited the financial statements of FairFX Plc ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and 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 company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- 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 are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for 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 company's ability to continue as a going concern, disclosing, as applicable, matters

FairFX PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FairFX PLC

related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

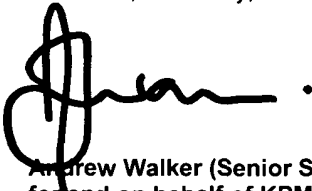
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud 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 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.

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. 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.



Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
24th June 2019

FairFX PLC

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Gross value of currency transactions sold	3.2	1,150,741,408	936,593,130
Gross value of currency transactions purchased	3.2	(1,134,824,057)	(923,028,865)
Revenue on currency transactions	4	15,917,351	13,564,265
Direct costs		(3,672,669)	(3,177,790)
Gross margin		12,244,682	10,386,475
Administrative expenses		(10,937,682)	(9,900,062)
Profit/(loss) before tax and from operations	5	1,307,000	486,413
Tax expense	8	990,335	148,463
Profit for the year		2,297,335	634,876

All income and expenses arise from continuing operations. There are no differences between the loss for the year and total comprehensive income for the year.

The notes on pages 15 to 43 form an integral part of these financial statements.

FairFX PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		2018	2017 (Restated*)
	Note	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	9	542,093	104,634
Intangible assets	10	3,879,642	143,757
Deferred tax asset	8	1,983,813	511,912
		6,405,548	760,303
Current assets			
Inventories	11	266,383	185,432
Trade and other receivables	12	5,842,638	3,491,340
Deferred tax asset	8	845,201	-
Derivative financial assets	16	388,902	303,775
Cash and cash equivalents	13	4,005,203	10,038,962
		11,348,327	14,019,509
TOTAL ASSETS		17,753,875	14,779,812
EQUITY AND LIABILITIES			
Equity attributable to Equity holders			
Share capital	14	10,104,753	10,104,753
Share premium		5,428,121	5,428,121
Share based payment reserve		1,726,798	1,123,525
Retained deficit		(9,072,538)	(11,369,873)
Total Equity		8,187,134	5,286,526
Non-Current liabilities			
Deferred tax liability	8	634,805	-
		634,805	-
Current liabilities			
Trade and other payables	15	8,667,689	9,348,083
Deferred tax liability	8	142,454	-
Derivatives and financial liabilities	16	121,793	145,203
		8,931,936	9,493,286
TOTAL EQUITY AND LIABILITIES		17,753,875	14,779,812

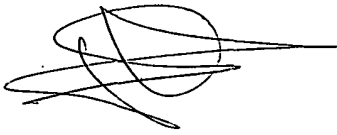
*Refer to note 3.1

The notes on pages 15 to 43 form an integral part of these financial statements.

FairFX PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FairFX PLC

The financial statements were approved and authorised for issue by the Board on 24th June 2019 and were signed on its behalf by:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

I A I Trafford-Taylor
Director

Company Registration number: 05539698

FairFX PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Share Premium	Share Based Payment	Retained Deficit	Total Equity Attributable to Shareholders
	£	£	£	£	£
Balance as at 1 January 2017	10,104,753	5,428,121	647,115	(12,004,747)	4,175,240
Profit for the year	-	-	-	634,876	634,876
Shares issued in the year	-	-	-	-	-
Share based payment charge	-	-	476,411	-	476,411
Balance as at 31 December 2017	10,104,753	5,428,121	1,123,525	(11,369,873)	5,286,526
Profit for the year	-	-	-	2,297,335	2,297,335
Shares issued in the year	-	-	-	-	0
Share based payment charge (Note 18)	-	-	603,273	-	603,273
Balance as at 31 December 2018	10,104,753	5,428,121	1,726,798	(9,072,538)	8,187,134

The notes on pages 15 to 43 form an integral part of these financial statements.

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.

FairFX PLC

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2018	2017 (Restated*)
		£	£
Profit/Loss for the period / year		2,297,335	634,876
Cash flow from operating activities			
<i>Adjustments for:</i>			
Depreciation		73,895	36,991
Amortisation		397,706	-
Share based payment charge		53,765	112,961
Increase in deferred tax asset on share based payments		549,508	363,450
Decrease / (Increase) in trade and other receivables		(2,351,298)	(489,938)
Decrease / (Increase) in derivative financial assets		(85,127)	(79,891)
Decrease / (Increase) in deferred tax asset		(2,317,101)	(511,912)
(Decrease) / Increase in trade and other payables		(680,395)	6,638,939
(Decrease) / Increase in deferred tax liabilities		777,259	-
(Decrease) / Increase in derivative financial liabilities		(23,412)	(2,752)
Decrease / (Increase) in inventories		(80,948)	44,470
(Used by) / Net cash generated from operating activities		(1,388,812)	6,747,193
Cash flows from investing activities			
Acquisition of property, plant and equipment		(511,354)	(66,367)
Acquisition of intangibles		(4,133,592)	(143,757)
Net cash used in investing activities		(4,644,946)	(210,123)
Cash flows from financing activities			
Proceeds from issuance of shares		-	-
Costs directly attributable to share issuance		-	-
Net cash from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(6,033,758)	6,537,070
Cash and cash equivalents at the beginning of the year		10,038,962	3,501,892
Cash and cash equivalents at the end of the year	12	4,005,204	10,038,962

*Refer to note 3.1

The notes on pages 15 to 43 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

FairFX 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 24th June 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 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 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 Company. 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 Company has concluded that the introduction of the new standard will not result in any changes to the Company's accounting policies on revenue recognition.

The Company 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 Company 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 Company's accounting policies on revenue recognition.

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

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 Company 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 Company'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 Company 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.

(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 Company'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 Company'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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 Company and Company or have no material effect on the financial statements of the Company 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 Company 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 Company's net assets and income statement following adoption.

	Option a	Option b
Right of Use Asset: 01/01/2019	1,205	1,277
Lease Liability: 01/01/2019	(1,277)	(1,277)
Retained Earnings: 01/01/2019	(56)	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

D. Other standards

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

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

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company's accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.23.

Prior year adjustment

During the year, the Directors received legal advice in connection with the risks and rewards to the Company 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 Company 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 Company accordingly. The impact on the Company's financial statements in the prior year was as follows:

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	As Stated 2017 £	Effect of restatement 2017 £	Restated 2017 £
Statement of financial position			
Cash and cash equivalents	27,193,581	(17,154,619)	10,038,962
Trade and other receivables	3,491,340	-	3,491,340
Trade and other payables	(26,502,702)	17,154,619	(9,348,083)

Statement of cash flows			
Decrease / (Increase) in trade and other receivables	(245,899)	(244,039)	(489,938)
(Decrease) / increase in trade and other payables	18,527,425	(11,888,486)	6,638,939
Net cash (outflow) / inflow from operating activities	18,879,720	(12,132,527)	6,747,193
Net increase / (decrease) in cash and cash equivalents	18,669,596	(12,132,526)	6,537,070
Cash and cash equivalents at the beginning of the year	8,523,985	(5,022,093)	3,501,892
Cash and cash equivalents at end of the year	27,193,581	(17,154,619)	10,038,962

	As Stated 2016 £	Effect of restatement 2016 £	Restated 2016 £
Statement of financial position			
Cash and cash equivalents	8,523,985	(5,022,092)	3,501,893
Trade and other receivables	3,245,441	(244,039)	3,001,402
Trade and other payables	(7,975,277)	5,266,133	(2,709,144)

Statement of cash flows			
Decrease / (Increase) in trade and other receivables	(1,280,438)	244,039	(1,036,399)
(Decrease) / increase in trade and other payables	(1,565,275)	(406,521)	(1,971,796)
Net cash (outflow) / inflow from operating activities	(5,025,747)	(162,483)	(5,188,230)
Net increase / (decrease) in cash and cash equivalents	4,908,929	(5,022,093)	(113,164)
Cash and cash equivalents at the beginning of the year	3,615,056	-	3,615,056
Cash and cash equivalents at end of the year	8,523,985	(5,022,093)	3,501,892

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Going Concern

Details of the Company'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. The Company is 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 Company, the regulatory environment and the effectiveness of risk management policies. The Board therefore 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.

3.1 Foreign currency

In preparing these financial statements, transactions in currencies other than the company and 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 consolidated statement of comprehensive income for the year.

3.2 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.

3.3 Income recognition

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

(i) Deliverable FX trades (international payments and travel cash)

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.

3.6 Pension Costs

The Company operates a defined contribution pension scheme and outsources the administration of the pension scheme to a third party. The Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 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 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.

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 Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 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 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

(i) Recognition and measurement

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 Company 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 Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(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. The estimated useful lives for current and comparative periods are as follows:

Non-patented technology

5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Details about the 2019 amortisation cost are provided in note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 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.

3.15 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 Company 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 Company's impairment policies and the calculation of the loss allowance are provided in note 3.23.

3.16 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 Company's derivative financial assets and liabilities at fair value through profit or loss comprise solely of forward foreign exchange contracts.

3.17 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.

3.18 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 Company 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 Company no longer accounts for customer cash in the Company'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 Company accordingly (note 3.1).

3.19 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 Company that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

the customers. As a result, the Company no longer accounts for customer cash and the associated customer liability in the Company'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 Company accordingly (note 3.1).

3.20 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.

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.

3.21 Leases

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.

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

3.22 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 Company'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 Company applies the IFRS 9 simplified approach - no need to determine the stage of a financial asset, because a loss allowance is recognized always at a lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

A provision for the impairment of trade receivables is recognised 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.

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 Company on terms that the Company 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 Company of financial assets.

Financial assets at amortised cost

The Company 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 Companying together assets with similar risk characteristics.

In assessing collective impairment, the Company 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 Company 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.

3.23 Judgements and estimates

The preparation of the Company's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of the Company'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 Company's account policies that have the most significant effect on the amounts recognised in the financial statements were as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

(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 £613,972 which represents 33% of their total annual staff costs. Details about the capitalised development costs are provided in note 10.

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 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. The critical estimate is the term of the share option to vest.

(ii) Deferred tax assets

The Company 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 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).

Measurement of fair values of derivative financial assets and liabilities

The Company'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.

4. Revenue and segmental analysis

Segment results are reported to the Board of Directors of the Company (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 Company 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

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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 affected by economic factors. The Company 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 Company.

2018	Currency Cards	International Payments	Travel Cash	Central	Total
	£	£	£	£	£
Segment revenue	9,996,890	5,691,461	229,000	-	15,917,351
Direct costs	-	-	-	(3,672,669)	(3,672,669)
Administrative expenses	-	-	-	(10,937,682)	(10,937,682)
Profit/(loss) before tax	9,996,890	5,691,461	229,000	(14,610,351)	1,307,000
Total assets				17,753,875	17,753,875
Total liabilities				(9,566,741)	(9,566,741)
Total net assets	0	0	0	8,187,134	8,187,134

2017	Currency Cards	International Payments	Travel Cash	Central	Total
	£	£	£	£	£
Segment revenue	8,124,165	5,108,440	331,660	-	13,564,265
Direct costs	-	-	-	(3,177,790)	(3,177,790)
Administrative expenses	-	-	-	(9,900,062)	(9,900,062)
Profit/(loss) before tax and from operations	8,124,165	5,108,440	331,660	(13,077,852)	486,413
(Restated*)					
Total assets	-	-	-	14,779,812	14,779,812
Total liabilities	-	-	-	(9,493,286)	(9,493,286)
Total net assets	0	0	0	5,286,526	5,286,526

*Refer to note 3.1

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5. Profit before tax

Profit before tax is stated after charging the following: -

	2018	2017
	£	£
Operating lease - property	512,254	378,496
Depreciation of plant and equipment and fixtures and fittings	73,895	36,992
Amortisation of intangibles	397,706	-
Net foreign currency differences	13,057	68,186
Research & development costs	-	1,152,809
Research and development tax credit	(311,156)	(301,032)

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

Audit fees: -

Company audit fees	62,000	40,000
Total audit fees	62,000	40,000

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	95	76

Employee costs

	2018 £	2017 £
Wages and salaries	4,565,180	4,769,952
Social security costs	565,129	567,279
Pension costs	53,393	23,028
	5,183,703	5,360,259

Employees costs are exclusive of £1,840,861 (2017: Nil) reported within internally generated software intangibles.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

7. Directors' remuneration

	Gross Salary	Bonus	Employer Pension	Total Remuneration
	2018	2018	2018	2018
Executive Directors				
I A I Trafford – Taylor	<u>262,500</u>	<u>-</u>	<u>703</u>	<u>263,203</u>
	Gross Salary	Bonus	Employer Pension	Total Remuneration (Restated*)
	2017	2017	2017	2017
Executive Directors				
I A I Trafford – Taylor	<u>245,000</u>	<u>237,200</u>	<u>386</u>	<u>482,586</u>

* 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.

Further information regarding share options is given in note 18.

8. Taxation

	2018 £	2017 £
Current year tax expense	-	-
Deferred tax charge/(credit)	<u>(990,335)</u>	<u>(148,463)</u>

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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	1,307,000	486,413
Taxation at the UK corporation tax rate of 19% (2017: 19.25%)	248,330	93,635
Capital Allowances in Arrears	-	(6,756)
Expenses not deductible for tax purposes	18,197	13,541
Recognition/derecognition of deferred tax on previously unrecognised/recognised deductible temporary differences	819,840	(126,718)
Recognition of deferred tax on previously unrecognised carry forward tax losses	(1,607,394)	
Net impact of R&D tax credit claim	(469,307)	(160,601)
Group relieved losses	-	38,437
Total tax charge/(credit) for the year	(990,335)	(148,462)

Movement in deferred tax balances

2018	Net balance at 1 January £	Recognised in equity £	Recognised in P&L £	Balance at 31 December £	DTA £	DTL £
As at 31 December 2018:						
Intangibles	-	-	(691,347)	(691,347)	-	(691,347)
Property, plant and equipment	-	-	(85,912)	(85,912)	-	(85,912)
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	-	-	149,984	149,984	149,984	-
Net deferred tax asset/(liability)	511,912	549,508	990,335	2,051,755	2,829,013	(777,259)

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2017	Net balance at 1 January £	Recognised in equity £	Recognised in P&L £	Balance at 31 December £	DTA £	DTL £
As at 31 December 2017:						
Intangible assets	-	-	-	-	-	-
Share-based payments	-	363,450	148,462	511,912	511,912	-
Net deferred tax asset/(liability)	-	363,450	148,462	511,912	511,912	-
					2018 £	2017 £
Current deferred tax asset					845,201	-
Non-current deferred tax asset					1,983,813	511,912
Total deferred tax asset					2,829,014	511,912
Current deferred tax liability					(142,454)	-
Non-current deferred tax liability					(634,805)	-
Total deferred tax liability					(777,259)	-

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

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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. Property, plant and equipment

	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2018	347,443	17,679	39,651	404,773
Additions	162,146	114,945	234,263	511,354
At 31 December 2018	509,588	132,625	273,914	916,127
Depreciation				
At 1 January 2018	270,805	13,545	15,789	300,139
Charge for the year	63,907	3,456	6,531	73,895
At 31 December 2018	334,713	17,001	22,320	374,034
Net book value				
At 31 December 2018	174,876	115,623	251,594	542,093

	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2017	282,034	16,721	39,651	338,406
Additions	65,408	959	-	66,367
At 31 December 2017	347,442	17,680	39,651	404,773
Depreciation				
At 1 January 2017	239,867	11,457	11,824	263,148
Charge for the year	30,938	2,088	3,965	36,991
At 31 December 2017	270,805	13,545	15,789	300,139
Net book value				
At 31 December 2017	76,637	4,135	23,862	104,634

10. Intangible assets

	Non-patented technology £	Under construction £	Total £
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FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Cost

At 1 January 2018	-	143,757	143,757
Reclassification	143,757	(143,757)	-
Additions	3,659,949	473,643	4,133,592
At 31 December 2018	3,803,705	473,643	4,277,348

Depreciation

At 1 January 2018	-	-	-
Charge for the year	397,706	-	397,706
At 31 December 2018	397,706	-	397,706

Net book value

At 31 December 2018	3,405,999	473,643	3,879,642
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Non-patented technology £	Under construction £	Total £
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Cost

At 1 January 2017	-	-	-
Additions	-	143,757	143,757
At 31 December 2017	-	143,757	143,757

Depreciation

At 1 January 2017	-	-	-
Charge for the year	-	-	-
At 31 December 2017	-	-	-

Net book value

At 31 December 2017	-	143,757	143,757
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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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11. Inventories

	2018 £	2017 £
Finished goods	<u>266,383</u>	<u>185,432</u>

The Company's inventories comprise stock of cards.

12. Trade and other receivables

	2018 £	2017 £
Trade receivables	1,879,939	2,416,489
Other receivables	2,684,108	427,473
Prepayments and accrued income	<u>1,278,590</u>	<u>647,379</u>
	<u>5,842,638</u>	<u>3,491,340</u>

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 17.

13. Cash and cash equivalents

	2018 £	2017 (Restated) £
Cash at bank	<u>4,005,203</u>	<u>10,038,962</u>

During the year, the Directors received legal advice in connection with the risks and rewards to the Company 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 Company no longer accounts for customer cash in the Company'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 Company accordingly (note 3.1).

14. Share capital

	2018 £	2017 £
Authorised		
101,047,530 ordinary shares of £0.10 each	<u>10,104,753</u>	<u>10,104,753</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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15. Trade and other payables

	2018 £	2017 (Restated) £
Trade payables	6,825,743	8,123,461
Taxation and social security	323,804	189,129
Accruals and deferred income	1,518,141	1,035,494
	<u>8,667,688</u>	<u>9,348,083</u>
	2018 £	2017 £
Current	<u>8,667,688</u>	<u>9,348,083</u>

During the year, the Directors received legal advice in connection with the risks and rewards to the Company 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 Company no longer accounts for customer cash in the Company'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 Company accordingly (note 3.1).

16. Derivative financial assets and financial liabilities

16.1 Derivative financial assets

Financial assets at fair value through profit or loss

	Fair Value 2018 £	Notional Principal 2018 £	Fair Value 2017 £	Notional Principal 2017 £
Foreign exchange forward contracts	388,902	24,513,865	303,775	21,530,930
Total financial instruments at fair value	<u>388,902</u>	<u>24,513,865</u>	<u>303,775</u>	<u>21,530,930</u>

16.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

	Fair Value 2018 £	Notional Principal 2018 £	Fair Value 2017 £	Notional Principal 2017 £
Foreign exchange forward contracts	121,793	24,264,444	145,205	21,366,917
Total financial instruments at fair value	<u>121,793</u>	<u>24,264,444</u>	<u>145,205</u>	<u>21,366,917</u>

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17. Financial instruments

The Company'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 Company. In common with other businesses, the Company is exposed to the risk that arises from its use of financial instruments. The Company does not deal in any financial instrument contracts for its own benefit. 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 consolidated financial statements.

17.1 Principal financial instruments

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

	2018	2017 (Restated*)
	£	£
Financial instruments held at amortised cost		
Cash and cash equivalents	4,005,203	10,038,962
Trade and other payables	(8,667,688)	(9,348,083)
Trade and other receivables	5,842,638	3,491,340

	2018	2017 (Restated*)
	£	£
Financial instruments held at fair value through profit or loss		
Derivative financial assets – Forward foreign exchange contracts	388,902	303,775
Derivative financial liabilities – Forward foreign exchange contracts	(121,793)	(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 £ 16,344 (2017: loss of £5,430). This was reported in administration costs in the income statement.

17.2 Financial risk management objectives and policies

Credit risk

As required under IFRS 9, the Company analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Company 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:

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2018	Current and not impaired £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables	5,842,638	-	-	-	5,842,638
Derivative financial assets	154,695	119,240	114,967	-	388,902
2017	Current and not impaired £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables	3,491,340	-	-	-	3,491,340
Derivative financial assets	303,775	-	-	-	303,775

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 Company's gross undiscounted financial liabilities by their contractual maturity date.

2018	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other payables	8,667,688	-	-	-	8,667,688
Derivative financial liabilities	53,403	59,025	9,365	-	121,793
2017	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other payables*	9,348,083	-	-	-	9,348,083
Derivative financial liabilities	76,330	22,178	46,697	-	145,205

*Refer to note 3.1

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. The Company has no borrowings so is not materially affected by changes in interest rates.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Foreign currency risk

The Company'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 Company 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	-	6,679,129	6,679,129
	-	6,679,129	6,679,129

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 - restated*	3,779,768	-	3,779,768
	21,582,831	-	21,582,831

Financial liabilities not measured at fair value

Trade and other payables - restated*	-	4,402,837	4,402,837
	-	4,402,837	4,402,837

*Refer to note 3.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

All financial instruments are classified as level 1 financial instruments in the fair value hierarchy, with the exception of Derivative financial assets and liabilities 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 overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

On 24th June 2016, FairFX notified the FCA pursuant to its duty under Regulation 32(1)(a)(i) of the Payment Services Regulations 2009 ("PSRs") that it had been in breach of the FCA's capital requirements under Regulation 18(1) of the PSRs for the period from August 2014 to 23rd June 2017. The breach arose as the net proceeds from share issues by FairFX Group plc were used to make intra-group loans to FairFX Plc. FairFX Plc became aware in June 2016 that its understanding that capital held by FairFX Group plc could properly be included in its calculation of "own funds" for those purposes, was open to question. Viewed on a consolidated basis (as FairFX Plc then believed it was entitled to do), there would have been ample capital within the group to meet FairFX Plc's capital requirements. FairFX Plc and FairFX Group plc have taken prompt steps to capitalise inter-company loans from FairFX Group plc to FairFX Plc in the amount of £9,982,603, with effect from 23rd June 2016 to remedy the breach and as a result has substantial surplus capital above the FCA's capital requirement.

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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

During the year ended 31 December 2018, there were no of share based payment transactions within the Group.

		At 1 January 2018	Granted during year	Exercised during year	Lapsed during year	At 31 December 2018
Date Granted	Exercise price (£)	Number	Number	Number	Number	Number
22/07/2014	0.07	200,000	-	-	-	200,000
22/07/2014	0.22	447,750	-	-	-	447,750
22/07/2014	0.36	3,975,050	-	-	-	3,975,050
28/09/2016	0.30	316,667	-	-	-	316,667
28/09/2016	0.30	316,667	-	-	-	316,667
28/09/2016	0.30	316,667	-	-	-	316,667
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		5,922,800	-	-	-	5,922,800

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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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 (£)	0.39	
Weighted average exercise price (£)	variable	a
Expected volatility	36.4%	b
Expected option life in years	5.3	
Risk-free rate	0.10%	
Expected dividends	none	
Fair value of the options granted (£)	variable	c

- 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.
- Expected volatility has been determined on the share price from date of admission up to 31 December in the year the options were granted
- 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	nil
22/07/2014	1.16	nil
22/07/2014	1.74	nil
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 £813,840 (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.

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19. Financial commitments

As at 31 December 2018 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	
	2018	2017
	£	£
Not later than one year	290,760	290,760
Later than one year and not later than five years	2,348,448	1,124,008
	<u>2,639,021</u>	<u>1,414,768</u>

20. Related party transactions

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	<u>2,049,287</u>	<u>1,177,629</u>

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	-
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

FairFX PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

21. 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.

22. Post balance sheet events

There were no post balance sheet events.