

REGISTERED NUMBER: 05539698

**FairFX PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# FairFX PLC

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# FairFX PLC

## DIRECTORS AND ADVISORS

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<b>Directors:</b>	I A I Trafford – Taylor J Hickman J Bean S England (resigned 24 July 2019) A Quirke M Boon (appointed 6 August 2019)
<b>Company Secretary:</b>	A Quirke
<b>Registered Number:</b>	05539698 (England and Wales)
<b>Registered Office:</b>	Third Floor, Thames House Vintners Place 68 Upper Thames Street London EC4V 3BJ England
<b>Banker:</b>	Barclays Bank Plc 11 <sup>th</sup> Floor, 1 Churchill Place Canary Wharf London E14 5HP England
<b>Independent Auditors:</b>	PricewaterhouseCoopers LLP No 1 Spinningfields 1, Hardman Square Manchester M3 3EB England
<b>Solicitors:</b>	Bates Wells & Braithwaite London LLP 10 Queen Street Place London EC4R 1BE England

# FairFX PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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### **About FairFX PLC ("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 ATMs 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 three channels: Currency Cards, Physical Currency and International Payments. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATMs 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.

### **Change in accounting policy**

During the year, the Company changed its accounting policy for research and development tax credits (R&D tax credit) which had previously been accounted for under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Company believes that accounting for the R&D tax credit is more appropriate under IAS 12 *Income Taxes* which better reflects the substance and benefit of the credit. Under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the R&D tax credit, was deducted from administration expenses on a systemic basis. Under IAS 12 *Income Taxes* the R&D tax credit is included within tax credit / expense in the year that the claim relates to.

A change in accounting policy requires a retrospective adjustment and consequently the comparatives amounts have been restated. In 2018 an adjustment of £311,155 has been deducted from administrative costs and a corresponding amount included within tax credit. There is no adjustment to earnings per share or retained earnings. In 2019, the £2,870,201 has been recognised as tax income (see note 8). No periods prior to 2018 have been affected by the change in accounting policy.

### **Trading performance**

The Directors are pleased to report a successful year of the Company as they continue to build on their investment and growth strategy.

Company gross currency sold rose 20.6% to in excess of £1.4 billion (2018: £1.1 billion).

Revenue increased significantly by 19.58% to £19.1 million (2018: £16.0 million) with revenue margin (revenue over gross currency sold) remaining consistent at 1.4% in the current and preceding year. Revenue growth was driven by International Payments up 32.9% to £7.7 million and Currency Cards up 12.9% to £11.3 million.

Travel cash fell by £0.1 million representing a 36% reduction to £0.12 million (2018: £0.19 million).

Gross profit was £11.9 million (2018: £10.0 million), up 18.9% on 2018. Company gross profit is stated after the deduction of direct costs which rose by 20.7% to £7.2 million (2018: £6.0 million). The gross profit margin (gross profit over revenue) remained consistent at 62%.

# FairFX PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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Administrative costs increased by £2.7 million (32%) to £11.3 million (2018: £8.6 million) which was in part due to payroll and other costs associated with the acquisitions in the year,

Profit after tax has decreased from £2.3 million to £0.7 million due to the increase in administrative costs and higher amortisation charges.

The net cash position of the Company at 31st December 2019 was £7.8 million, excluding client funds (2018: £4 million). Accordingly, the Company has sufficient cash resources to continue implementing its growth strategy.

Net assets have remained consistent at around £8.5 million (2018 £8.2 million).

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, improved customer experience of our products and continue to roll out innovative new products.

### **Compliance with Companies Act 2006, Section 172 Statement**

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in good faith, which would most likely promote the success of the company for the benefit and interests of all its stakeholders as a whole. The Company's stakeholders include, but are not limited to, its employees; suppliers; customers and regulators.

The Board endeavors to achieve and maintain a reputation for high standards of conduct amongst its stakeholders which it regards as crucial in its ability to successfully achieve its corporate objectives. During the development of the Company's strategies and decision making processes, the Board will consider its stakeholders and their interests. The differing interests of stakeholders require the Board to assess and manage the impact of its policies in a fair and balanced manner to the benefit of its stakeholders as a whole.

The Board considers below these different stakeholder, their material issues and how the Company engages with them.

#### **Employees**

The employees are one of the greatest assets to the Company. Their interests, which include training and development; a safe environment to work; diversity and inclusion; fair pay and benefits; reward and recognition are a high priority. On a day to day basis Directors engage directly with employees promoting an open, non-hierarchical culture, in which employees have an active contribution to the Company's success. Weekly "All Hands" meetings, company updates and staff feedback questionnaires are performed and the Board will actively reflect on these when making decisions. Regular management training, internship programmes, personal development and performance reviews all contribute to the development of staff.

During the year the Company acquired the workforce from two separate companies and recognises the need for successful integration of all staff. As a result of this, in 2020, the missions, visions and goals are being refreshed in order for staff to feel under one umbrella and working towards one goal.

#### **Suppliers**

Supplier interests include fair trading, payment terms and working towards building a successful relationship. The Equals Group which includes the Company, will regularly review its supplier payments and performance alongside its monitoring of its performance. The Company's Modern Slavery Statement sets out the processes put in place in order to combat modern slavery in the business and its supply chains. <https://www.equalsPLC.com/content/investors/corporate-governance>

#### **Customers**

Customers are interested in successful product availability and usage, fair pricing and adherence to regulations. The Company wants to achieve the highest level of customer service and will regularly review feedback and reviews it receives from its customers. The Company operates under an open and transparent pricing model with its customers.

#### **Regulators and Compliance**

The Company holds licenses with the Financial Conduct Authority and HMRC and must adhere to the regulatory requirements of these licenses. The Company ensures that staff have sufficient knowledge and regular training if necessary to ensure that these regulations are met.

# FairFX PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The nature of the business undoubtedly results in a higher risk of money laundering. All staff receive the relevant Anti-Bribery and Anti-Money Laundering training annually through updated online assessments and are advised on their Money Laundering Reporting Officer. Procedures and communications are in place to ensure that staff are able to comply with anti-Money Laundering should there ever be a case.

### **Response to Covid-19**

2020 has seen global volatility caused by the Covid-19 pandemic. The Group and the Company has not been immune to this but the technology improvements made across the Group meant that all employees have been able to successfully work from home. Currently there are around one fifth of the staff under furlough but redundancies have been kept to a minimum. All employees including the Board and senior management agreed to a temporary 20% reduction in their remuneration over a three month period until greater visibility of the market has been possible.

The travel related products (bureau de change and retail pre-load travel cards) were, impacted almost immediately with revenues down 87% on the comparative period in 2019. To put this into context, this represented 29% of revenue in 2019 and is now only 4% of a significantly higher income base up to 26 June 2020.

The full financial consequences of Covid-19 are of course yet unknown, but profound. However, with the steps already taken by the Company, along with the Group, together with further contingency planning, the Board believes the Company remains in a strong position to move quickly to not only respond to market movements but look for emerging opportunities.

The Company is in the fortunate position of having no bank borrowing and thus has protected its cash position.

The Strategic Report on pages 3 to 5 was approved and authorised for issue by the Board on 23 July 2020, and was signed on its behalf by:



**A Quirke**  
Director

# FairFX PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The Directors present their annual report and audited financial statements for the year ended 31 December 2019.

### Financial reporting

The financial statements for the year ended 31 December 2019 are set out on pages 11 to 41 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 of Equals Group Plc.

### Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

### Directors

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

I A I Trafford – Taylor  
J Hickman  
J Bean  
S England (resigned 24 July 2019)  
A Quirke  
M Boon (appointed 6 August 2019)

### Key performance indicators

The Strategic Report set out on pages 3 to 5 provides key performance indicators and an assessment of the Company's financial performance throughout the year.

### Risk and risk management

The Company is exposed to various financial and operational risks. Further details of these, including processes put in place to mitigate these risks, are disclosed in note 16 of the financial statements.

### Independent Auditors

During the year KPMG LLP resigned as auditor and were replaced by PricewaterhouseCoopers LLP who have expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the General Meeting of the Company.

### Disclosure of information to auditors

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 auditors are 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 are aware of that information.

### Future development

The Company, along with the Group, will continue to align its marketing efforts across its brands as well as its development across the B2B business. B2B will continue to remain the focus, with increased emphasis on marketing additional payment solution for businesses and expanding the functionality and customer base of the expense management platform.

# FairFX PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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### Post balance sheet events

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Company has undoubtedly been impacted by this situation but is confident that it is positioned well and has taken measures to preserve its cash flow. Covid-19 is a non-adjusting post balance sheet event.

On 31 March 2020, the Company issued 4,476,235 new shares at £2.234 per share totalling £10 million to its parent Equals Group plc in lieu of a shareholder loan between them.

On 26 June 2020, a supplier to the Company, Wirecard Card Services ('WDCS') had its licences temporarily suspended by the FCA. The suspension was lifted on the 29 June 2020. This suspension did not affect the Company's B2B card activities and disruption was mainly limited to B2C travel cards. The Company has contingency plans in place should the situation at WDCS deteriorate, including two alternative card issuers already integrated into the Company and wider Group.

### 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 Company has no bank borrowings and has maintained its cash position.

The Directors' Report was approved by the Board on 23 July 2020 and signed on its behalf by:



**A Quirke**  
Director

## FairFX PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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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 or IFRSs as issued by the International Accounting Standards Board (IASB) 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 year. 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 or IFRSs as issued by the International Accounting Standards Board (IASB);
- 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.

Approved by the Board on 23 July 2020 and signed on its behalf by



**A Quirke**  
Director

# ***Independent auditors' report to the members of FairFX PLC***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, FairFX PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## DIRECTORS' REPORT THE YEAR ENDED 31 DECEMBER 2019

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### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the annual report and financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

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### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Daniel Brydon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
23 July 2020

# FairFX PLC

## STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2019

		2019	2018
	Note	£	Restated* £
Gross value of currency transactions sold* <sup>2</sup>	3.3	1,380,602,607	1,144,745,837
<b>Revenue on currency transactions</b>	4	19,102,774	15,975,246
Direct costs		(7,248,365)	(6,005,777)
<b>Gross profit</b>		11,854,409	9,969,469
Administrative expenses		(11,322,374)	(8,575,918)
Amortisation		(1,405,852)	(397,706)
Finance costs	10	(145,002)	-
<b>(Loss) / profit before tax</b>	5	(1,018,819)	995,845
Tax credit	8	1,741,585	1,301,490
<b>Profit for the year and total comprehensive income</b>		722,766	2,297,335

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

\*Refer to note 3.1

<sup>2</sup> Gross value of transactions sold is a non-GAAP measure and represents gross value of currency transactions sold to customers. See Note 3.3 for more guidance.

The notes on pages 16 to 41 form an integral part of these financial statements.

# FairFX PLC

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
	Note	£	Restated* £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,495,368	542,093
Right of use asset	10	4,277,569	-
Intangible assets	11	11,904,192	3,879,642
Deferred tax asset	8	2,197,655	2,829,014
Investments	12	2,235,625	-
		<b>22,110,409</b>	<b>7,250,749</b>
<b>Current assets</b>			
Inventories	14	226,992	266,383
Trade and other receivables	15	10,153,277	5,928,186
Derivative financial assets	19	3,046,974	388,902
Cash and cash equivalents	16	7,762,872	4,011,964
		<b>21,190,116</b>	<b>10,595,435</b>
<b>TOTAL ASSETS</b>		<b>43,300,524</b>	<b>17,846,184</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to Equity holders</b>			
Share capital	17	10,104,753	10,104,753
Share premium		5,428,121	5,428,121
Share based payment reserve		1,323,927	1,726,798
Accumulated losses		(8,349,772)	(9,072,538)
<b>Total Equity</b>		<b>8,507,029</b>	<b>8,187,134</b>
<b>Non-Current liabilities</b>			
Lease liability	10	4,063,567	-
Deferred tax liability	8	1,937,693	777,259
		<b>6,001,260</b>	<b>777,259</b>
<b>Current liabilities</b>			
Trade and other payables	18	25,274,014	8,759,998
Lease liability	10	465,124	-
Derivative financial liabilities	19	3,053,097	121,793
		<b>28,792,235</b>	<b>8,881,791</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>43,300,524</b>	<b>17,846,184</b>

\*Refer to note 3.1

The notes on pages 16 to 41 form an integral part of these financial statements.

## **FairFX PLC**

### **STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

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The financial statements on pages 11 to 41 were approved and authorised for issue by the Board on 23 July 2020 and were signed on its behalf by:



**A Quirke  
Director**

**Company Registration number: 05539698**

## FairFX PLC

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share Premium	Share Based Payment reserve	Accumulated losses	Total Equity Attributable to Shareholders
	£	£	£	£	£
<b>Balance as at 1 January 2018</b>	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
Movement in deferred tax through equity	-	-	549,508	-	549,508
Share based payment charge	-	-	53,765	-	53,765
<b>Balance as at 31 December 2018</b>	<b>10,104,753</b>	<b>5,428,121</b>	<b>1,726,798</b>	<b>(9,072,538)</b>	<b>8,187,134</b>
Profit for the year	-	-	-	722,766	722,766
Movement in deferred tax through equity	-	-	(525,480)	-	(525,480)
Share based payment charge (Note 21)	-	-	122,609	-	122,609
<b>Balance as at 31 December 2019</b>	<b>10,104,753</b>	<b>5,428,121</b>	<b>1,323,927</b>	<b>(8,349,772)</b>	<b>8,507,029</b>

*There is no impact on opening equity on the adoption of IFRS 16 Leases on 1 January 2019.*

The notes on pages 16 to 41 form an integral part of these financial statements.

# FairFX PLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		£	£
Profit for the year		722,766	2,297,335
<b>Cash flow from operating activities</b>			
<i>Adjustments for:</i>			
Interest on finance lease		145,002	-
Depreciation		779,166	73,895
Change in fair value of derivatives financial instruments		167,551	(16,000)
Amortisation		1,405,852	397,706
Share based payment charge		122,609	53,765
(Decrease) / increase in deferred tax asset on share based payments		(525,480)	549,508
Increase in trade and other receivables		(4,225,087)	(2,344,537)
Increase in derivative financial assets		(3,090,071)	(85,127)
Decrease / (Increase) in deferred tax asset		631,358	(2,317,101)
Increase / (decrease) in trade and other payables		16,582,093	(680,395)
Increase in deferred tax liabilities		1,160,434	777,259
Increase / (decrease) in derivative financial liabilities		3,195,753	(23,412)
Decrease / (Increase) in inventories		39,389	(80,948)
<b>Net cash generated from / (used in) operating activities</b>		<b>17,111,335</b>	<b>(1,382,052)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(1,252,714)	(511,354)
Acquisition of intangibles		(9,430,402)	(4,133,592)
Investment in subsidiary undertaking		(2,235,625)	-
<b>Net cash used in investing activities</b>		<b>(12,918,741)</b>	<b>(4,644,946)</b>
<b>Cash flows from financing activities</b>			
Interest charge in finance lease		(145,002)	-
Principal elements of lease payments		(296,684)	-
<b>Net cash used in financing activities</b>		<b>(441,686)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,750,908</b>	<b>(6,026,998)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,011,964</b>	<b>10,038,962</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>7,762,872</b>	<b>4,011,964</b>

The notes on pages 16 to 41 form an integral part of these financial statements.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1. General information

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 holdings of Equals Group Plc. The Company financial statements are consolidated into the Group's financial statement of its ultimate parent, Equals Group PLC and the financial statements are available from its registered office - Third Floor Thames House Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.

### 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 2019.

Adoption of new and revised accounting standards and interpretations:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards*

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company has adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the transition provisions in the standard.

The other adoptions listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### *IFRS 16 Leases*

IFRS 16 replaced 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*.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (note 10).

The Company chose the modified retrospective transition approach, measuring right of use assets equal to the lease liability (subject to certain adjustments). Under this approach, comparative information is not restated. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

The Company also applied practical expedients allowed by the standard (note 3.21). Additional disclosures have been provided regarding the application of IFRS 16 in note 10.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### **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 or have no material effect on the financial statements of the Company.

	<b>Effective Dates *</b>
<i>Amendments to References to Conceptual Framework in IFRS Standards</i>	01 January 2020
<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	01 January 2020
<i>IFRS 17 Insurance Contracts</i>	01 January 2023

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

### **3. Basis of presentation and significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis 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.

The Company is a parent company, and is itself a wholly owned subsidiary of Equals Group PLC which produces consolidated financial statements in accordance with IFRS and which are available for public use. In accordance with IFRS 10, the Company has not presented separate consolidated financial statements.

#### **Presentational adjustment**

During the year, the Company performed an analysis of cost drivers. This process resulted in management determining that various costs previously disclosed as administrative expenses were directly linked to transactions generating revenues and should have been included within direct costs. As a result, administrative costs and direct costs have been restated in the 2018 comparatives. Staff costs have been re-categorised from Admin costs to Direct costs for commissions paid. Along with staff costs the following have also been re-categorised: bank charges, bad debts and marketing costs for affiliate commissions paid and vouchers.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3.1 Basis of presentation (continued)

#### *Change in accounting policy*

During the year, the Company changed its accounting policy for research and development tax credits (R&D tax credit) which had previously been accounted for under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Company believes that accounting for the R&D tax credit is more appropriate under IAS 12 *Income Taxes* which better reflects the substance and benefit of the credit. Under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the R&D tax credit, was deducted from administration expenses on a systemic basis. Under IAS 12 *Income Taxes* the R&D tax credit is included within tax credit / expense in the year that the claim relates to.

A change in accounting policy requires a retrospective adjustment and consequently the comparatives amounts have been restated. In 2018 an adjustment of £311,155 has been deducted from administrative costs and a corresponding amount included within tax credit. There is no adjustment to retained earnings. In 2019, £2,870,201 has been recognised as tax income (see note 8). No periods prior to 2018 have been affected by the change in accounting policy.

2018	As stated	Presentation al adjustment	Change in accounting policy	Restated
	£	£	£	£
<b>Statement of comprehensive income</b>				
Revenue	15,917,351	57,895	-	15,975,246
Direct costs	(3,672,669)	(2,333,108)	-	(6,005,777)
<b>Gross profit</b>	<b>12,244,682</b>	<b>(2,275,213)</b>	-	<b>9,969,469</b>
Administrative expenses	(10,539,976)	2,725,213	(311,155)	(8,575,918)
Amortisation charge	(397,706)	-	-	(397,706)
<b>Operating profit</b>	<b>1,307,000</b>	-	<b>(311,155)</b>	<b>995,845</b>
Tax credit	990,335	-	311,155	1,301,490
<b>Profit and total comprehensive income for the year</b>	<b>2,297,335</b>	-	-	<b>2,297,335</b>

#### *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.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3.2 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.

### 3.3 Gross value of currency transactions sold

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

### 3.4 Income recognition

The Company applies IFRS 15 *Revenue from Contracts with Customers* for the recognition of revenue. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It affects the timing and recognition of revenue items, but not generally the overall amount recognised.

IFRS 15 applies a five-step model:

1. Identify the contracts with customers.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction to the performance obligations in the contract.
5. Recognise the revenue when (or as) the entity satisfies the performance obligation.

The performance obligations of all revenue streams are satisfied on the transaction date. Revenue is not recognised where there is evidence to suggest that customers do not have the ability or intention to pay. The Company does not have any contracts with customers where the performance obligations have not been fully satisfied.

Revenue is recognised at the fair value of consideration receivable and comprises the following elements:

#### *(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 Company 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 Company 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.

### 3.5 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

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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defined in the Pensions Act 2008 and passes on the employer and employee contributions to the pension scheme administrator on a monthly basis. The employer contributions are recognised as they occur through the payroll.

### 3.6 Share-based payments

Employees (including Directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. The cost of equity-settled transactions with employees, is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model, further details of which are given in note 19.

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

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

### 3.7 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. Subsequently development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

### 3.8 Treatment of Research and Development Tax Credits

Research and development tax credits are treated as taxation credits as defined under IAS12 *Income Taxes* with a credit recorded in the year to which the claim relates.

### 3.9 Taxation

The tax expense comprises current and deferred tax and R&D tax credits.

### 3.10 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:

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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- 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.

### 3.11 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. Goodwill is not amortised. The estimated useful lives for current and comparative periods for other intangibles assets are as follows:

Trademarks, licenses and non-patented technology	5 years
Customer relationships	6-9 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Details about the 2020 amortisation cost are provided in note 11.

### 3.12 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.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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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%

### 3.13 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.

### 3.14 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 3.22.

### 3.15 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.

### 3.16 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.

### 3.17 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. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligations. The risks and rewards to the Company that arise from the holding of customer money are principally vested with the customers. As a result, the Company does not account for customer cash in the Company's financial statements.

### 3.18 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost using the effective interest method. The Company does not account for customer cash and the associated customer liability in the Company's financial statements, as the risks and rewards that arise are principally vested with the customers.

### 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

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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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

#### Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Company recognises a right of use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

Right of use assets are depreciated using the straight-line basis over the lease term at a rate between 10-25%.

The Company applies the following practical expedients permitted by the standard:

- excluding short term leases (less than 12 months) and low-value items (less than £3,775)
- exercising extension options where the contract contains a provision.

There are no variable payment terms in current leases.

#### Policy applicable before 1 January 2019

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

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company and 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 are an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

### 3.22 Impairment

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

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. The Group does not track changes in credit risk, instead the Group recognised a loss allowance based on an lifetime expected Credit Loss at each reporting date.

### 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:

#### *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*. Management judgement is required to determine the useful economic lives of these assets and uses market and technological knowledge in determining these.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 reviews 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.

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.

2019	Currency Cards	International Payments	Travel Cash	Central	Total
	£	£	£	£	£
Segment revenue	11,291,063	7,687,623	124,088	-	19,102,774
Direct costs	(4,284,286)	(2,916,995)	(47,084)	-	(7,248,365)
Administrative expenses	-	-	-	(11,322,374)	(11,322,374)
Amortisation	-	-	-	(1,405,852)	(1,405,852)
Finance costs	-	-	-	(145,002)	(145,002)
<b>Profit/(loss) before tax</b>	<b>7,006,777</b>	<b>4,770,628</b>	<b>77,004</b>	<b>(12,873,228)</b>	<b>(1,018,819)</b>

Total assets	-	-	-	43,300,524	43,300,524
Total liabilities	-	-	-	(34,793,494)	(34,793,495)
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,507,029</b>	<b>8,507,029</b>

2018 Restated*	Currency Cards	International Payments	Travel Cash	Central	Total
	£	£	£	£	£
Segment revenue	9,996,890	5,784,032	194,324	-	15,975,246
Direct costs	(3,758,257)	(2,174,465)	(73,055)	-	(6,005,777)
Administrative expenses	-	-	-	(8,575,918)	(8,575,918)
Amortisation	-	-	-	(397,706)	(397,706)
<b>Profit/(loss) before tax</b>	<b>6,238,633</b>	<b>3,609,567</b>	<b>121,269</b>	<b>(8,973,624)</b>	<b>995,845</b>

Total assets	-	-	-	17,846,184	17,846,184
Total liabilities	-	-	-	(9,659,050)	(9,659,050)
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,187,134</b>	<b>8,187,134</b>

\*Refer to note 3.1

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 5. (Loss) / profit before tax

(Loss) / profit before tax is stated after charging the following: -

	2019	2018
	£	£
Operating lease - property	-	512,254
Depreciation of plant and equipment and fixtures and fittings	299,439	73,895
Depreciation of right of use asset - property	479,727	-
Amortisation of intangibles	1,405,852	397,706
Net foreign currency differences	64,753	13,057
	<u>64,753</u>	<u>13,057</u>

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

#### **Audit fees: -**

<i>Company audit fees</i>	<u>60,000</u>	<u>62,000</u>
<b>Total audit fees</b>	<u>60,000</u>	<u>62,000</u>

Audit fees were borne by the ultimate parent company in the current and preceding year. 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 monthly number of employees (including Directors) during the year was: -

	2019	2018
	Headcount	Headcount
Administrative staff	147	95
	<u>147</u>	<u>95</u>

#### **Employee costs**

	2019	2018
	£	£
Wages and salaries	6,902,151	4,565,180
Social security costs	1,250,607	565,129
Other pension costs	221,813	53,393
	<u>8,374,571</u>	<u>5,183,702</u>

Employees costs are exclusive of £3,860,123 (2017: £1,840,861) reported within internally generated software intangibles.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Directors' remuneration

	Gross Salary	Bonus	Employer Pension	Total Remuneration
	2019	2019	2019	2019
<b>Executive Directors</b>				
I A I Trafford – Taylor	271,144	272,500	1,919	545,563
Richard Cooper	55,128	-	-	55,128
	<u>262,500</u>	<u>-</u>	<u>703</u>	<u>263,203</u>
	2018	2018	2018	2018
<b>Executive Directors</b>				
I A I Trafford – Taylor	262,500	-	703	263,203
	<u>262,500</u>	<u>-</u>	<u>703</u>	<u>263,203</u>

Further information regarding share options is given in note 21.

### 8. Tax credit

	2019 £	2018 £
<b>R&amp;D tax credit</b>	<u>(2,870,201)</u>	<u>(311,155)</u>
Origination and reversal of temporary differences	1,094,767	(990,335)
Recognition of previously unrecognised deductible temporary differences	7,770	-
Adjustment in respect of prior years	26,079	-
<b>Deferred tax charge / (credit)</b>	<u>1,128,616</u>	<u>(990,335)</u>
<b>Total tax credit for the year</b>	<u>(1,741,585)</u>	<u>(1,301,490)</u>

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### Factors affecting tax charge for the year

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

	2019	2018
	£	£
(Loss) / profit before taxation	(1,018,819)	995,845
Taxation at the UK corporation tax rate of 19% (2018: 19%)	(193,576)	189,211
(Income) / expenses not taxable	(23,331)	18,197
Recognition/derecognition of deferred tax on previously unrecognised/recognised deductible temporary differences	-	819,840
Capital allowances for the year in excess of depreciation	14,712	-
Movement of unrecognised carry forward tax losses	7,770	(1,607,394)
Net impact of R&D tax credit claim	(1,573,239)	(721,344)
Adjustment in respect of prior year	26,079	-
Total tax credit for the year	<u>(1,741,585)</u>	<u>(1,301,490)</u>

### Movement in deferred tax balances

2019	Net balance at 1 January £	Acquired in business combination £	Recognised in equity £	Recognised in P&L £	Balance at 31 December £	DTA £	DTL £
Intangibles	(691,347)	(137,696)	-	(895,633)	(1,724,676)	-	(1,724,675)
Property, plant and equipment	(85,912)	-	-	(127,105)	(213,017)	-	(213,017)
Equity settled share based payments	1,071,635	-	(525,480)	4,141	550,296	550,296	-
Unutilised tax losses	1,607,394	-	-	39,965	1,647,359	1,647,359	-
Other	149,984	-	-	(149,984)	-	-	-
<b>Net deferred tax asset/(liability)</b>	<b>2,051,754</b>	<b>(137,696)</b>	<b>(525,480)</b>	<b>(1,128,616)</b>	<b>259,962</b>	<b>2,197,655</b>	<b>(1,937,693)</b>

## FairFX PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2018	Net balance at 1 January	Recognised in equity	Recognised in P&L	Balance at 31 December	DTA	DTL
	£	£	£	£	£	£
<b>As at 31 December 2018:</b>						
Intangibles	-	-	(691,347)	(691,347)	-	(691,347)
Property, plant and equipment	-	-	(85,912)	(85,912)	-	(85,912)
Equity settled share based payments	511,911	549,508	10,216	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	-
<b>Net deferred tax asset/(liability)</b>	<b>511,911</b>	<b>549,508</b>	<b>990,335</b>	<b>2,051,754</b>	<b>2,829,013</b>	<b>(777,259)</b>

The standard rate of corporation tax applicable to the Group for the year ended 31 December 2019 was 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%. During the year ended 31 December 2019 the Government announced plans to place the corporate tax reductions listed above on hold. However, legislation is yet to be substantially enacted.

#### 9. Property, plant and equipment

	Plant and machinery	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2019	509,588	132,625	273,914	916,127
Additions	414,763	281,860	556,091	1,252,714
At 31 December 2019	924,351	414,485	830,005	2,168,841
<b>Accumulated depreciation</b>				
At 1 January 2019	334,713	17,001	22,320	374,034
Charge for the year	134,085	66,730	98,624	299,439
At 31 December 2019	468,798	83,731	120,944	673,473
<b>Net book value</b>				
At 31 December 2019	455,553	330,754	709,061	1,495,368

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
<b>Cost</b>				
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	509,589	132,624	273,914	916,127
<b>Accumulated depreciation</b>				
At 1 January 2018	270,805	13,545	15,789	300,139
Charge for the year	63,908	3,456	6,531	73,895
At 31 December 2018	334,713	17,001	22,320	374,034
<b>Net book value</b>				
At 31 December 2018	174,876	115,623	251,594	542,093

### 10. Right of use assets and lease liability

#### (i) Measurement of Company lease liabilities

	2019 £
Operating lease commitments disclosed as at 31 December 2018 under IAS 17 Leases	2,639,021
Operating lease commitments later than five years, if extension options are exercised	3,062,571
Total operating lease commitments under IAS 17 Leases, including extension options	5,701,592
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,825,375
<b>Of which are:</b>	
Not later than one year	195,533
Later than one year, including the extension periods	4,629,842

\*The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.06%.

There was no lease liability recognised in the Statement of Financial Position immediately prior to adoption of IFRS 16 Leases.

#### (ii) Measurement of right of use assets

The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(iii) Adjustments recognised in the statement of financial position on 1 January 2019

	1 Jan 2019
	£
Right of use assets	4,757,296
Accruals	68,079
Lease liabilities	(4,825,375)
Retained earnings	-

(iv) Amounts recognised in the statement of financial position

This note provides information for leases where the Company is a lessee. The Company does not have any leases where it acts as a lessor.

Right of use assets	Property
	£
At 1 January 2019	4,757,296
Depreciation charge for the year	(479,727)
At 31 December 2019	<u>4,277,569</u>

Lease Liabilities	Total
	£
At 1 January 2019	4,825,375
Lease finance expenses	145,002
Payments	(441,686)
At 31 December 2019	<u>4,528,691</u>
Current lease liabilities	465,124
Non-current lease liabilities	4,063,567
	<u>4,528,691</u>

(v) Amounts recognised in the statement of comprehensive income

	2019	2018
	£	£
Depreciation charge for right of use assets - Property	479,727	-
Lease finance expenses	145,002	-
Expense relating to short-term leases	67,201	-
Expense relating to leases of low-value assets	66,310	-
	<u>758,240</u>	<u>-</u>

Included within expenses relating to low value assets, which are below the de-minimis level, are amounts relating to IT equipment (printer and photocopiers etc) and property costs (fridges, microwaves etc). Expense relating to short-term

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

lease relates to the Aldgate office which was vacated in the year. The total cash outflow for leases in 2019 was £441,686 including for principal and interest.

### 11. Intangible assets

	Goodwill	Non-patented technology	Under construction	Customer relationship	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2019	-	3,803,705	473,643	-	4,277,348
Reclassification	-	473,643	(473,643)	-	-
Additions	1,174,696	5,445,822	2,008,884	-	8,629,402
Acquired through business combination	-	-	-	801,000	801,000
At 31 December 2019	<u>1,174,696</u>	<u>9,723,170</u>	<u>2,008,884</u>	<u>801,000</u>	<u>13,707,750</u>
<b>Accumulated amortisation</b>					
At 1 January 2019	-	397,706	-	-	397,706
Charge for the year	-	1,358,173	-	47,679	1,405,852
At 31 December 2019	-	<u>1,755,879</u>	-	<u>47,679</u>	<u>1,803,558</u>
<b>Net book value</b>					
At 31 December 2019	<u>1,174,696</u>	<u>7,967,291</u>	<u>2,008,884</u>	<u>753,321</u>	<u>11,904,192</u>

	Goodwill	Non-patented technology	Under construction	Customer relationship	Total
	£	£	£	£	£
<b>Cost</b>					
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	-	<u>3,803,705</u>	<u>473,643</u>	-	<u>4,277,348</u>
<b>Accumulated amortisation</b>					
At 1 January 2018	-	-	-	-	-
Charge for the year	-	397,706	-	-	397,706
At 31 December 2018	-	<u>397,706</u>	-	-	<u>397,706</u>
<b>Net book value</b>					
At 31 December 2018	-	<u>3,405,999</u>	<u>473,643</u>	-	<u>3,879,642</u>

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 2020 calendar year.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 12. Investments

Shares in subsidiary undertakings

<b>Company – Shares in subsidiary undertakings</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>	-	-
Additions	2,235,625	-
At 31 December	<u>2,235,625</u>	<u>-</u>
<b>Net Book Value</b>		
At 31 December	<u>2,235,625</u>	<u>-</u>

On 18 November 2019, the Company acquired 52% of the ordinary share capital of Casco Financial Services Limited (renamed Equals Connect Limited). The company is registered in England and Wales (see note 13 for more information on the acquisition).

### 13. Acquisitions

#### **Acquisition of Casco Financial Services Limited (renamed to Equals Connect Limited)**

On 18 November 2019, the Company acquired the entire issued ordinary share capital of Casco Financial Services Limited ("Casco"), a UK based payment services provider. Casco, which is regulated by the FCA as an Authorised Payment Institution (API), was established in 2010 and has historically focused on the provision of international payments, primarily for corporate clients. The initial consideration for the acquisition is £1,725,000 with a potential additional consideration of £510,626 depending on future performance.

The Company split Casco's business into 'Core' (meaning Company staff have the relationship with the customer) and 'White Label' (being White Label customers). The 'White Label' service is allowing fledgling International Payments businesses to utilise Casco's platform and FCA authorisations, reducing compliance and administration costs. On acquisition, the Company transferred the Core clients into FairFX Plc and the White Label business was renamed as "Equals Connect Limited", which will provide "Infrastructure & Services Provision" to the FX sector.

There were a series of transactions that took place before and at the date of acquisition that had a significant impact on the acquisition accounting. The share capital of Casco consisted of 100 Ordinary shares, which were consequently reclassified into 93 A Ordinary and 7 B Ordinary shares. On 18 November 2019, 93 C shares were issued, giving a total number of 193 allotted shares. As a result of the changes in the share capital structure, the Group acquired 93 A Ordinary and 7 B Ordinary shares, consequently acquiring all of the voting rights and 51.81% of the economic interests, with the remaining proportion being held by the vendors through the C shares held.

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

	<b>£</b>
Cash	1,325,000
Share issue of 377,666 ordinary shares of Equals Group on valuation date and B shares of £49,000	369,000
Contingent consideration	510,626
<b>Total consideration transferred</b>	<u><b>2,235,626</b></u>

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	£
Intangibles – customer relationships	1,051,000
Intangibles – technology	334,891
Property, plant and equipment	8,497
Cash	9,473
Trade and other receivables	600,432
Trade and other payables	(602,280)
Deferred tax liabilities	(191,988)
Non-controlling interest	(148,451)
<b>Total identifiable new assets acquired</b>	<b>1,061,574</b>

Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £191,988 was recognised as a result of the identified intangible asset.

### **B. Acquisition of assets from Hermex International Limited**

On 8 August 2019, the Company, acquired a book of international payments business from Hermex International Limited, a London-based company operating in the foreign currency exchange and payments services industry, for total consideration of £2,000,000. Together with the trading assets, the Company also acquired a workforce of 17 staff under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”).

The Company determines that the activities and assets acquired represent a business as defined under IFRS 3 *Business Combinations* and has accounted for the transaction accordingly. The acquisition was made in accordance with the Group’s strategy to consolidate smaller, attractive market participants and has been immediately earnings enhancing. In addition, the acquisition fits with one of the Groups stated core strategies of extracting value from increasing economies of scale

The initial consideration payable was £1,700,000, satisfied by £700,000 payable in cash to the seller and £1,000,000 payable in cash to the Company for the issue of 851,063 new ordinary shares of 1p each in the Company (“subscription shares”) at an issue price of £1.175 per share. The subscription shares were issued to a former director and shareholder in Hermex International Limited who concurrently joined the Group as an employee. The shares are subject to a two-year lock-in period followed by an orderly market provision. However, they are not subject to continuing employment with the Group therefore the subscription price was considered to be a cost of the business combination. A further retention payment of £300,000 was paid in cash in February 2020.

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

	£
Initial payment - cash	1,700,000
Deferred retention payment - cash	300,000
<b>Total consideration transferred</b>	<b>2,000,000</b>

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

	£
Intangibles – customer relationships	801,000
Derivative financial assets	432,000
Derivative financial liabilities	(270,000)
Deferred tax liabilities	(138,000)
<b>Total identifiable new assets acquired</b>	<b>825,000</b>

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The valuation techniques used for measuring the fair value of the intangibles are covered in note 3.24. Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £138,000 was recognised as a result of the identified intangible asset. Goodwill arising from the acquisition has been recognised as follows:

	£
Consideration transferred	2,000,000
Fair value of identifiable net assets	825,000
<b>Goodwill</b>	<u>1,175,000</u>

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

### 14. Inventories

	2019	2018
	£	£
Finished goods	<u>226,992</u>	<u>266,383</u>

The Company's inventories comprise stock of cards. Included within cost of sales is a charge of £305,182 (2018: £4375,515) relating to stock.

### 15. Trade and other receivables

	2019	2018*
	£	Restated £
Trade receivables	1,243,373	1,965,488
Amounts due from group undertakings	230,983	-
Other receivables	5,696,614	2,684,108
Prepayments and accrued income	2,982,307	1,278,590
	<u>10,153,277</u>	<u>5,928,186</u>

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 20. Prepayments have increased in the year due to an increase in revenue.

Amounts due from fellow group undertakings are interest-free, repayable on demand and unsecured.

### 16. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	<u>7,762,872</u>	<u>4,011,964</u>

### 17. Share capital

	2019	2018
	£	£
<b>Authorised</b>		
101,047,530 (2018: 101,047,530) ordinary shares of £0.10 each	<u>10,104,753</u>	<u>10,104,753</u>

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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.

### 18. Trade and other payables

	2019	2018
	£	Restated £
Trade payables	4,960,252	3,101,290
Amounts owed to group undertakings	19,134,675	3,724,455
Taxation and social security	513,626	323,804
Other creditors	1,078	92,307
Accruals and deferred income	664,383	1,518,142
	<u>25,274,014</u>	<u>8,759,998</u>

Amounts due to fellow group undertakings are interest-free, repayable on demand and unsecured

### 19. Derivative financial assets and financial liabilities

#### 19.1 Derivative financial assets

##### Financial assets at fair value through profit or loss

	Fair Value	Notional Principal	Fair Value	Notional Principal
	2019	2019	2018	2018
	£	£	£	£
Foreign exchange forward contracts	3,046,974	58,196,532	388,902	24,513,865
Total financial instruments at fair value	<u>3,046,974</u>	<u>58,196,532</u>	<u>388,902</u>	<u>24,513,865</u>

#### 19.2 Derivative financial liabilities

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

	Fair Value	Notional Principal	Fair Value	Notional Principal
	2019	2019	2018	2018
	£	£	£	£
Foreign exchange forward contracts	3,053,097	57,540,925	121,793	24,264,444
Total financial instruments at fair value	<u>3,053,097</u>	<u>57,540,925</u>	<u>121,793</u>	<u>24,264,444</u>

### 20. 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

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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.

### 20.1 Principal financial instruments

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

	2019	2018
	£	£
<b>Financial instruments held at amortised cost</b>		
Cash and cash equivalents	7,762,872	4,011,964
Trade and other receivables	10,153,277	5,928,186
Trade and other payables	(25,274,014)	(8,759,998)
Lease liabilities	(4,528,691)	-
	<hr/>	<hr/>
	2019	2018
	£	£
<b>Financial instruments held at fair value through profit or loss</b>		
Derivative financial assets – Forward foreign exchange contracts	3,046,974	388,902
Derivative financial liabilities – Forward foreign exchange contracts	(3,053,097)	(121,793)
	<hr/>	<hr/>

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 3.22(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 2019, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a loss of £168k (2018: gain of £16k). This was reported in administration costs in the income statement.

### 20.2 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:

2019	On demand	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	10,153,277	-	-	-	10,153,277
Derivative financial assets	314,247	453,154	2,279,573	-	3,046,974
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2018	On demand £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year	Total £
Trade and other receivables	5,928,186	-	-	-	5,928,186
Derivative financial assets	154,695	119,240	114,967	-	388,902

### 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.

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

2019	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other payables	25,274,014	-	-	-	25,274,014
Derivative financial liabilities	894,531	334,962	1,823,604	-	3,053,097
Lease liabilities	151,589	85,509	228,026	4,063,567	4,528,691

  

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	8,759,998	-	-	-	8,759,998
Derivative financial liabilities	53,403	59,025	9,365	-	121,793

### 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.

### 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 2019, the Company is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held (2018: £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.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

31 December 2019	Measured at amortised cost	Measured at fair value	Total
	£	£	£
<b>Financial assets</b>			
Cash and cash equivalents	7,762,872	-	7,762,872
Trade and other receivables	10,153,277	-	10,153,277
Derivative financial assets	-	3,046,974	3,046,974
	<b>17,916,149</b>	<b>3,046,974</b>	<b>20,963,123</b>
<b>Financial liabilities</b>			
Trade and other payables	25,274,014	-	25,274,014
Lease liabilities	4,528,691	-	4,528,691
Derivative financial liabilities	-	3,053,097	3,053,097
	<b>29,802,705</b>	<b>3,053,097</b>	<b>32,855,802</b>
31 December 2018	Measured at amortised cost	Measured at fair value	Total
	£	£	£
<b>Financial assets</b>			
Cash and cash equivalents	4,011,964	-	4,011,964
Trade and other receivables	5,928,186	-	5,928,186
Derivative financial assets	-	388,902	388,902
	<b>9,940,150</b>	<b>388,902</b>	<b>10,329,052</b>
<b>Financial liabilities</b>			
Trade and other	8,759,997	-	8,759,998
Derivative financial liabilities	-	121,793	121,793
	<b>8,759,997</b>	<b>121,793</b>	<b>8,881,790</b>

All financial instruments are classified as level 2 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 (see note 3.1); 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.

# FairFX PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 21. Share options

At 31 December 2019 the Company participated in a group share option scheme.

The company has an equity-settled share-based payment scheme allowing certain directors and employees to acquire shares of the parent company Equals Group plc. As the services are received by the Company this has been accounted for as an expense in the Profit and Loss with a corresponding amount recognised in equity. The charge to the Statement of total comprehensive income was £122,609 (2018: £53,765) with a corresponding amount recognised in equity.

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 Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

### 22. Related party transactions

Related parties include key management who are responsible for controlling and directing the activities of the Company comprising the executive Directors, the Non-Executive Directors and senior management; and fellow group undertakings.

The key management compensation is as follows:

	2019	2018
	£	£
Salaries, fees and other short-term employee benefits	<u>600,691</u>	<u>2,049,287</u>

Related party transactions between the Company and fellow group undertakings is as follows:

	Transaction values for the year ended	
	2019	2018
	£	£
<b>Currency transactions</b>		
- Turnover	26,987,476	30,778,744
- Revenue – Travel Cash	181,350	202,409

	Transaction values for the year ended	
	2019	2018
	£	£
<b>Other</b>		
Subsidiary		
- Dividends	-	2,000,000
- Cost recharges	1,780,901	803,698

## FairFX PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Amounts owed by and to related parties are disclosed in notes 15 and 18 respectively.

#### **23. Ultimate controlling party**

The immediate and ultimate parent company of the Company is Equals Group Plc. Since 25 August 2017 no party has held a controlling interest in Equals Group Plc and as such the Directors consider Equals Group Plc to be the ultimate controlling party.

#### **24. Post balance sheet events**

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Company has undoubtedly been impacted by this situation but is confident that it is positioned well and has taken measures to preserve its cash flow. Covid-19 is a non-adjusting post balance sheet event.

On 14 April 2020, the Company agreed to repay £10 million of its shareholder loan with its parent company Equals Group plc and issued 4,476,235 new shares at £2.234 per share totalling £10 million to Equals Group plc.

On 26 June 2020, a supplier to the Company, Wirecard Card Services ('WDCS') had its licences temporarily suspended by the FCA. The suspension was lifted on the 29 June 2020. This suspension did not affect the Company's B2B card activities and disruption was mainly limited to B2C travel cards. The Company has contingency plans in place should the situation at WDCS deteriorate, including two alternative card issuers already integrated into the Company and wider Group.