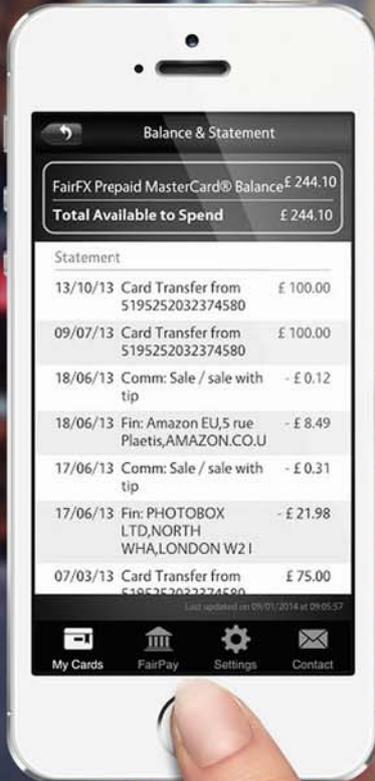




FAIRFX



AIM ADMISSION DOCUMENT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action that you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the UK or, if you are not resident in the UK, from another appropriately authorised independent adviser. The whole of this document should be read. Your attention is drawn, in particular, to the section entitled "Risk Factors" in Part 2 of this document that describes certain risks associated with an investment in FAIRFX GROUP plc (the "Company").

The directors of the Company (the "Directors"), whose names, business addresses and functions appear on page 6 of this document, and the Company accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies ("AIM Rules"), for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an admission document drawn up in accordance with the AIM Rules, has been issued in connection with the proposed admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM, a market operated by the London Stock Exchange plc ("AIM").

This document does not contain an offer or constitute any part of an offer, invitation or solicitation to the public within the meaning of sections 85 and 102B of FSMA, the Companies Act 2006 or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, approved by delivered to or filed with the UK Financial Conduct Authority (the "FCA") in accordance with the Prospectus Rules or approved by, delivered to or filed with any other authority which could be a competent authority for the purposes of the Prospectus Directive.

FAIRFX GROUP plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered company number 8922461)



**Placing of 5,726,667 Ordinary Shares of 1 pence each at 45 pence per share
Admission to trading on AIM**

Nominated Adviser and Broker



Share capital immediately following Admission

	Issued and Fully Paid	
	Number	Amount (£)
ordinary shares of £0.01 each	67,750,628	677,506.28

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, it should be remembered that the price of securities and the income from them can go down as well as up. The AIM Rules are less demanding than those of the Official List. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. Neither the London Stock Exchange nor the FCA has examined or approved the contents of this document.

Application will be made for the Ordinary Shares (issued and to be issued) to be admitted to trading on AIM ("Admission"). It is expected that Admission will take place and that dealings in the issued and to be issued Ordinary Shares will commence on AIM on 5 August 2014.

The Placing is conditional, *inter alia*, on Admission taking place on or before 5 August 2014 (or such later date as the Company and Cenkos Securities plc may agree). The Placing Shares will, on Admission, rank *pari passu* in all respects with the issued ordinary share capital of the Company on Admission including the right to receive all dividends or other distributions declared, paid or made after Admission.

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the offices of the Company being 3rd Floor, Thames House, Vintners' Place, 68 Upper Thames Street, London EC4V 3BJ, for a period of one month from the date of Admission.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, Japan or the Republic of South Africa. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the applicable state securities laws in the United States of America or any securities laws of any province or territory of Canada, Australia, the Republic of South Africa or Japan nor in any country, territory or possession where to offer them without doing so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account limited or benefit of, any person in, or any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. The Ordinary Shares have not been approved or disapproved by the Securities Exchange Commission, any state securities commission in the United States of America or any other United States of America regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States of America.

In making any investment decision in respect of the Ordinary Shares, no information or representation should be relied upon other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

Cenkos Securities plc is authorised and regulated in the United Kingdom by the FCA and is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document), and is acting exclusively for the Company as nominated adviser and broker for the purpose of the AIM Rules. Cenkos Securities plc will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Cenkos Securities plc as to the contents of this document. No liability whatsoever is accepted by Cenkos Securities plc for the accuracy of any information or opinions contained in this document, for which the Directors and the Company are solely responsible, or for the omission of any information from this document for which it is not responsible.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part 2: Risk Factors").

Potential Shareholders contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

This document should be read in its entirety before making any investment in the Company.

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group will operate, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline", "aims", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

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PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Placing Statistics

Placing Price per Ordinary Share	45 pence
Number of Existing Ordinary Shares	62,023,961
Number of Placing Shares to be issued by the Company pursuant to the Placing	5,726,667
Enlarged Share Capital	67,750,628
Proportion of Enlarged Share Capital represented by the Placing Shares	8.45 per cent.
Estimated market capitalisation of the Company at the Placing Price at Admission	£30.5 million
Gross proceeds of the Placing	£2.6 million
Estimated net proceeds of the Placing receivable by the Company	£1.7 million
ISIN	GB00BLS0XX25
SEDOL	BLS0XX2
TIDM	FFX
Website	www.fairfx.com

Expected Timetable of Principal Events

Publication of this document	1 August 2014
Admission effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 5 August 2014
CREST accounts to be credited in respect of Placing Shares	8.00 a.m. on 5 August 2014
Despatch of definitive share certificates for Placing Shares (where applicable)	by 19 August 2014*

* Or as soon as practicable thereafter

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Group and Cenkos without further notice. All times are London times unless otherwise stated.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jason Drummond (<i>Non-Executive Chairman</i>) Ian Strafford-Taylor (<i>Chief Executive Officer</i>) Ajay Chowdhury (<i>Non-Executive Director</i>) Nicholas Jeffery (<i>Non-Executive Director</i>)
Company Secretary	Ian Strafford-Taylor
Registered Office	3rd Floor, Thames House Vintners' Place 68 Upper Thames Street London EC4V 3BJ
Website	www.fairfx.com
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Legal advisers to the Company	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Legal advisers to the Nominated Adviser and Broker	Covington & Burling LLP 265 Strand London WC2R 1BH
Auditors to the Group	Gerald Edelman 25 Harley Street London W1G 9BR
Reporting Accountant	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Registrar	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations adviser to the Company	Newgate Threadneedle 5th Floor 33 King William Street London EC2R 9AS

DEFINITIONS

Admission	admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
AIM	AIM, a market operated by the London Stock Exchange
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time and those of its other rules which govern the admission to trading on, and the operation of companies on, AIM
Articles	the articles of association of the Company, a summary of which is set out in paragraph 3 of Part 5 of this document
Cenkos	Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London, EC2R 7AS, nominated adviser and broker to the Company
certificated or in certificated form	shares in a company that are in physical paper form (that is, not in CREST)
Companies Act	the Companies Act 2006 (as amended from time to time)
Company	FAIRFX GROUP plc
Companies Acts	the meaning contained in section 2 of the Companies Act
Concert Party	the Founders, certain other providers of capital to the Company and certain employees of the Company, details of whom are contained in paragraph 2 of Part 3 of this document
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001, as amended
Directors or Board	the board of directors of the Company as at Admission whose names are set out on page 6 of this document
EBITDA	earnings before interest, tax, depreciation and amortisation
EIS	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 (as amended)
EIS Placing Shares	the 222,222 new Ordinary Shares to be placed in the Placing with Placees eligible for EIS relief
Enlarged Share Capital	the Existing Ordinary Shares and the Placing Shares
Enterprise Management Incentive	a tax advantaged share option scheme which may be employed by qualifying UK companies
Existing Ordinary Shares	the 62,023,961 Ordinary Shares being the Ordinary Shares in issue prior to the Placing and the Ordinary Shares to be issued under the arrangements described in paragraph 2.4 of Part 5 of this document
FCA	the Financial Conduct Authority
Founders	the founders of the Group's business, being Jason Drummond, Ian Strafford-Taylor, Stephen Heath and Ashley Levett
FSMA	the Financial Services and Markets Act 2000 (as amended)
Group or FAIRFX	the Company and its subsidiaries from time to time
HMRC	HM Revenue and Customs
ISIN	International Securities Identification Number
London Stock Exchange	London Stock Exchange plc

Options	the options over ordinary shares to be granted to employees of the Group under the Share Option Plan and to non-executive directors of the Group
Ordinary Shares	ordinary shares of 1 pence each in the capital of the Company
Panel	the Panel on Takeovers and Mergers
PCT	Payment Card Technologies (Retail) Limited
Placees	the subscribers for Placing Shares pursuant to the Placing
Placing	the conditional placing of the Placing Shares by Cenkos on behalf of the Company, pursuant to and on the terms and conditions set out in the Placing Agreement
Placing Agreement	the conditional agreement dated 1 August 2014 between (1) the Company, (2) the Directors and (3) Cenkos relating to the Placing, further details of which are set out in paragraph 8.1 of Part 5 of this document
Placing Price	45 pence per Placing Share
Placing Shares	the 5,726,667 new Ordinary Shares (including VCT Placing Shares and EIS Placing Shares) to be issued at the Placing Price by the Company pursuant to the Placing
Prospectus Directive	directive 2003/71/EC, as amended
Prospectus Rules	the prospectus rules published by the FCA from time to time for the purposes of Part IV of FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated exchange
Registrar	Capita Registrars Limited
Securities Act	the US Securities Act of 1933 (as amended)
SEDOL	Stock Exchange Daily Official List
Shareholders	holders of Ordinary Shares, including holders of New Ordinary Shares following Admission
Share Option Plan	the share option plan dated 28 July 2014 adopted by the Company, summary details of which are set out in paragraph 4 of Part 5 of this document
Statutes	the Companies Acts (as defined in section 2 of the Companies Act) and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Companies Acts
Subsidiary	has the given to such terms in section 1159 of the Companies Act and “ Subsidiaries ” shall be construed accordingly
Takeover Code	the City Code on Takeovers and Mergers published by the Panel
TIDM	Tradable Investment Display Mnemonic
UK	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	the Corporate Governance Code on the principles of good corporate governance and code of best practice published in September 2012 by the Financial Reporting Council
uncertificated or in uncertificated form	shares in a company that are not in physical paper form but rather are held in electronic form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
US or United States	the United States of America

VCT	a Venture Capital Trust under the provisions of Part 6 of the Income Tax Act 2007 (as amended)
VCT/EIS Placing	the placing of the VCT/EIS Placing Shares in accordance with the Placing Agreement
VCT Placing Shares	the 1,777,778 Ordinary Shares to be issued by the Company pursuant to the VCT Placing
£	pounds sterling, the lawful currency of the United Kingdom
\$	US dollars, the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

ATM	automated teller machine
B2B	business to business
B2C	business to consumer
EEA	European Economic Area
Forex or FX	foreign exchange
FY2011	the financial year ended 31 December 2011
FY2012	the financial year ended 31 December 2012
FY2013	the financial year ended 31 December 2013
IVR	interactive voice response
KYC	know your customer
P2P	peer-to-peer
PPC	pay-per-click
QR	quick-response
R&D	research and development
SEO	search engine optimisation
Spread	gap between buy rate and sell rate
T&E	travel and expenses

PART 1

INFORMATION ON THE GROUP

1. Introduction

FAIRFX is an international payment services provider, offering services to customers in the UK since 2007. The Group has developed a cloud-based P2P payments platform that enables personal and business customers to make easy, low-cost multi-currency payments in a broad range of currencies and countries and across a range of FX products via one integrated system. The FAIRFX platform facilitates payments either direct to bank accounts or at over 30 million merchants and over 30 million ATMs in a broad range of countries globally via Mobile apps, the Internet, SMS, wire transfer and MasterCard/VISA debit cards.

FAIRFX operates within the rapidly-growing online multi-currency payments market and provides transactional services to both personal and business customers through four channels being Currency Cards, Physical Currency, FairPay and Dealing, as described below. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATMs whereas the FairPay and Dealing products support wire transfer FX transactions direct to bank accounts.

As an international payment services provider with a proprietary IT platform that integrates all its products, the Directors believe that the Group is well placed to capitalise on the rapidly growing online multi-currency payments market. The Group's innovative P2P matching platform provides highly competitive rates and offers consumers an attractive and user friendly service for their international payment requirements. FAIRFX is consistently top ranked for its Currency Card offering in respect of rates and customer satisfaction by consumer ratings companies MoneySupermarket.com and MoneySavingExpert.com.

The substantial volumes traded within the global forex market represent the largest asset class in the world based on transaction value, with estimated Forex transactions totalling \$5.3 trillion in value per day in April 2013 according to a pamphlet published by the British Bankers' Association entitled 'Banking on the Move – The Next Revolution has Begun'. Statistics show that, increasingly, consumers want to transact over mobile platforms and the Internet. In 2013, in the UK, 12.4 million consumers downloaded a banking app and there were 40 million mobile and internet banking transactions undertaken each week.

The Group has enjoyed strong historical growth and over the past financial year, revenue grew by 46 per cent. from £221.0 million in FY2012 to £322.4 million in FY2013, with gross profit growing from £2.1 million to £2.8 million during the same period.

The Directors believe that Admission will enhance the Company's credibility and profile within its market place and will assist the growth in its business. The Placing is intended to provide the Company with working capital to fund its continued operations in additional marketing spend in order to acquire customers, whilst also building out the Group's International network, and to fund continued R&D investment in its platform and Mobile apps. Admission will also provide the Group with access to capital to support its strategic objectives.

2. Overview of the Group's business

Overview

The Group's customer base consists of personal and business customers who use the Group's services to undertake their foreign currency payment requirements. As at 30 June 2014, the Group had 362,407 personal customers and approximately 1,000 business customers including clients such as Harrods, Aston Martin Toyota, Alexander McQueen, Trinity Mirror plc, Grant Thornton, Fremantle Media, KFC and Comic Relief. Through its online P2P matching platform, the Company provides an integrated range of services to its customers generating sales through four primary revenue streams: Currency Cards, Physical Currency, FairPay and Dealing. The FAIRFX platform, because of its P2P functionality, has the capability to eliminate the requirement for a conventional forex counterparty. The Directors believe that this, together with a high degree of automation and the online nature of the business, allows the Group to offer tighter bid-offer spreads and highly competitive rates for its customers, particularly when roll-out of the platform outside of the UK provides more 2-way flows.

Multi-Payment and Single-Payment

Generally, the Group's customers engage in two types of forex transactions: multi-payment and single-payment. Multi-payment transactions may be undertaken, for example, when customers use their FAIRFX pre-paid card on holidays, using their card multiple times to satisfy all personal spending requirements abroad. Multi-payment transactions have an average value of £370 per transaction and generate typical total margins of 2 per cent. for the Group.

Single-payment transactions are undertaken by a customer wishing to exchange a sum of money to another currency and to wire this to a bank account, for example, when settling a mortgage payment abroad. Single-payments typically have much higher transaction values than multi-payments, averaging £5,800 per transaction and accordingly, generate higher net income for the Group despite a lower margin range of between 0.4 and 1.5 per cent.

The FAIRFX platform, website and mobile app integrate both single-payments and multi-payments within one account for its personal and business customers.

Multi-Payment – Currency Cards

The Group has a contractual supplier arrangement with Payment Card Technologies (Retail) Limited ("PCT"), its program manager, whereby customers are provided with MasterCard prepaid currency cards, currently denominated in US Dollars, Euros and Sterling. The card is loaded with a set amount of currency, determined by the customer, to be used when spending overseas. The FAIRFX cards have a 3 year expiry and can be re-loaded multiple times using a variety of interfaces including the Group's website, the FAIRFX App and SMS. In FY2013, such cards generated £137 million in turnover for the Group, 84 per cent. of which was derived from personal customers and the remainder from business customers.

Multi-Payment – Physical Currency

The FAIRFX platform facilitates the delivery of foreign bank notes in 21 currencies on a next day basis, directly to UK customers using Royal Mail insured delivery. The service is provided in conjunction with CityForex Limited, who perform the physical logistics and with whom FAIRFX has a profit share arrangement on the net FX spread achieved. In FY2013, Physical Currency generated turnover of £53 million for the Group, all of which came from retail customers.

Single-Payment – FairPay

The FAIRFX platform allows customers to perform a foreign exchange transaction in any one of 11 currencies and to wire the funds to an overseas bank account with no transaction fees. FairPay can process transactions with a value from approximately £500 to £250,000 online. FAIRFX earns the difference between the FX rate charged to the customer and the FX cover rate from either the market or from a P2P FAIRFX customer. In FY2013, FairPay generated turnover of £31 million for the Group, 97 per cent. of which was derived from retail customers and the remainder from business customers.

Single-Payment – Dealing

For larger transactions, personal and business customers may prefer to contact a FAIRFX dealer directly via telephone, rather than using the automated FairPay interface, in order to negotiate a payment of a value to an overseas bank account. Funds are wired from FAIRFX directly to the beneficiary bank account and FAIRFX earns the difference between the FX rate charged to the customer and the FX cover rate from either the market or from a P2P FAIRFX customer. In FY2013, Dealing generated £101 million in turnover for the Group, of which 65 per cent. was derived from business customers and 35 per cent. from personal customers.

3. Key Strengths and Opportunities

The Directors believe that the Group has the following key strengths:

Technological platform

The Group has developed a proprietary P2P, secure and scalable matching platform, allowing FAIRFX to significantly reduce its own forex trading costs by matching buy and sell orders in currency pairs. By enabling customers to effectively trade their physical currency requirements with one another, FAIRFX is able to eliminate the requirement for, and therefore the accompanying fee from, transaction intermediaries in the value chain such as banks. This functionality, together with the high levels of automation of the online FAIRFX platform, enables FAIRFX to offer better FX rates than its competitors and zero transaction fees to its personal and business customers, whilst still preserving the Group's own margins.

Currently, as FAIRFX has initially focussed on growth of customers in the UK, the majority of transactions are performed with FAIRFX as the other side of the P2P matching process. As the platform is rolled out internationally, commencing in Europe and then beyond, the Directors expect that more 2-way flows of currency pairs will increase the percentage of transactions internally netted before having to hedge in the market.

The Group's proprietary platform was built from inception to support large scalability and has bank-grade security architecture, as evidenced by its PCI-DSS compliance, coupled with extremely low fraud rates. Therefore, the Directors believe the Group is ideally placed to benefit from the wider adoption of mobile payments through the Group's technology platform to the multi-currency payments market.

Strength and depth of the leadership team

The Directors, senior management and other employees of the Group provide the business with a range of skills and a depth of experience in both the multicurrency payments market itself and in the successful development of technology companies.

Relationships with key suppliers, customers and partners

The Group's relationship with its key suppliers include:

- PCT (Retail) Limited, who administer its prepaid cards to customers and enable the Group to benefit from contractual relationships with the key elements of the supply chain, including the card processor, MasterCard, VISA, the issuing banks and the card plastics manufacturers;
- City Forex Limited, who administer the fulfilment and delivery of travel currency; and
- Barclaycard, who provide acquiring payment acceptance services.

In addition, the Group has white-labelled its Currency Card offering to key customers, including easyJet, ThinkMoney and Pitney Bowes.

The Group has a relationship with Concur Technologies, Inc., a leading provider of integrated travel and expense management solutions, with whom the Group has partnered to provide integrated services across their respective platforms.

4. History

The Company's trading subsidiary, FAIRFX plc, was incorporated in 2005 when the Founders saw an opportunity to exploit "disruptive" technology to target the large market for foreign exchange which, they perceived at that time, was dominated by low-tech solutions coupled with relatively high transaction fees and spreads charged by the banks and Bureau de Change. The Founders decided to create a transparent and fair process for forex transactions, given their belief that the "0% commission" marketing from traditional FX providers was potentially misleading. Furthermore the Founders believed that consumers increasingly would turn towards the Internet and mobile platforms to carry out transactions.

Since the incorporation of FAIRFX plc, the Founders and a limited number of additional shareholders have provided funding to the Group in the region of £6.4 million. These funds were used to develop the Group's P2P forex matching platform, eliminating the requirement for a bank intermediary and enabling FAIRFX plc's customers to match their physical currency requirements with one another via FAIRFX plc acting as principal: effectively crowd-based forex.

FAIRFX plc commenced development of the P2P forex matching platform in 2006 and the website was launched in July 2007, following which FAIRFX plc launched its prepaid-card services in November 2007 and added the FairPay single-payment service in 2010. The business launched the FAIRFX App in November 2012, allowing customers to top up their cards and view their balances whilst in transit and, in June 2013, the Group ran a television advertising campaign which the Directors believe generated a significant increase in turnover.

The Group has grown organically since inception from a team of 5 to 46 employees as at 25 July 2014, being the latest practicable date prior to the date of this document.

5. Strategy

The Group is a leading provider of forex payments, providing highly competitive rates and is currently top-ranked for its Currency Card offering by consumer ratings companies MoneySupermarket.com and MoneySavingExpert.com. FAIRFX has gained a large number of both retail and business customers to date, with a relatively small amount of investment in marketing. This has been achieved by a focus on public relations and partnerships with affiliates.

Marketing

The Company intends to expand its marketing budget with the aim of acquiring new customers for organic growth. A previous investment of £559,000 for a television advertising campaign in 2013 generated significant incremental revenue for the Group. The Directors intend to increase marketing spend over the next few years to further accelerate customer acquisition. Marketing will be focused on television advertising, PPC, Google adverts, SEO and affiliate marketing. The Group's marketing agency, Omnicom, has developed a detailed multi-year marketing plan for the business. The Directors believe that the market has reached an inflection point and is highly receptive to FAIRFX's products now.

Cross Selling

Cross selling opportunities exist throughout the Group's offerings and are key to FAIRFX's growth strategy. To date, the Group has focussed on growing numbers of personal customers in the multi-payments space using the Currency Card and Physical Currency products. The Group is building on existing relationships with multi-pay customers with the aim of converting them into higher income, single-payment customers as well. Analysis of the most efficient methods of cross-selling and identification of the customers most receptive to this is on-going.

Technological Development

The Company will invest significantly in R&D to enhance all of its products and services. Specifically:

- the FAIRFX App will have additional functionality including geolocation based services;
- enable FAIRFX customers to receive multi-currency inbound payments, creating a payment ecosystem; and
- integration of mobile wallets, mobile payments, and QR code.

International Expansion

The Company intends to expand its operations overseas, supported by such potential acquisitions as may be identified by the Directors in the future with a particular focus in Europe, Australia, the US and China. The Company is currently in possession of a EEA-wide licence and is intending to launch in Ireland by the end of 2014.

6. Industry Overview and Market Potential

The foreign exchange market is the largest and most liquid financial market in the world. The forex market itself is split into two key segments:

- Physical forex – the physical delivery of currency to a bank account or merchant; and
- Speculative trading and hedging – across spot, forwards, options and swaps.

The physical forex market assists international trade and investment by enabling currency conversion. For example, it permits a business in the US to import goods from Eurozone members, and to pay Euros for such goods, even though its income is in US dollars.

According to the Bank for International Settlements, the 2013 Triennial Central Bank Survey shows that trading in foreign exchange markets averaged \$5.3 trillion per day in value in April 2013 and this is up from \$4.0 trillion in April 2010. It is difficult to calculate exactly how much of this trading activity is physical delivery rather than speculative trading and hedging activities, however, a reasonable indication from The Bank for International Settlements report states that \$188 billion of global spot transactions are performed per day by non-financial institutions.

It is estimated that, in April 2010, FX trading in the United Kingdom accounted for 36.7 per cent of the total market, making it by far the largest trading location. In December 2011, the Office of Fair Trading published a report which estimated the total spending of UK consumers abroad in 2010 was £27 billion, of which approximately 75 per cent. was spent using debit and credit cards. It was also estimated that travel cash was sourced from banks/post office (45 per cent.), travel agents (22 per cent.), supermarkets and other retailers (13 per cent.), airports/bureau de change (12 per cent.).

Competition

In the multi-payments market, FAIRFX's competition is dominated by the banks and Post Office, as detailed above.

In the single-payments market, customers have long been using banks to process such payments and it has previously been reported that up to 90 per cent. of transactions in this market are dominated by banks. Other competitors, including Travelex and more recently HiFX and OzForex, make up the rest of the market. Given the domination by the banks, the Directors believe this presents an opportunity to take market share.

Market Participants in Physical FX Market

Retail Banks

It is estimated that 90 per cent. of overseas currency transfers are done via banks and generates significant profits. However, typically banks add a considerable margin (the Spread) to the exchange rate and charge a fee for the transfer (typically between £10 and £40).

Non-bank foreign exchange companies

Non-bank foreign exchange companies known as FX Brokers offer deliverable currency exchange and international payments to private individuals and companies. It is estimated that in the UK, such companies account for approximately 14 per cent. of the market. FX Brokers' selling point is that they will offer better exchange rates and or payment charges than the banks. These companies target higher value transactions than the money transfer/remittance companies referenced below.

Money transfer/remittance companies and bureau de change

Money transfer remittance companies perform high-volume low-value transfers, for instance economic migrants sending money back to their home country. The largest and best-known provider is Western Union with approximately 345,000 agents globally.

Bureau de change or currency transfer companies provide low value foreign exchange services for travellers. These are typically located at airports and stations or at tourist locations and allow physical notes to be exchanged. The Directors believe that such companies charge wide margins due to the high overheads involved.

The Directors believe the below table summarises the methods of payment currently available to undertake multicurrency transactions and distinguishes between the different service providers and key attributes:

<i>Service</i>	<i>Typical Provider</i>	<i>Typical Fees</i>	<i>Determination of Rates</i>	<i>Timing of Exchange</i>	<i>Notes</i>
<i>Cash (bank notes)</i>	High street bank, high street shop or specialist bureau de change	Generally marketed as 'commission free'	Retailer	Point of cash purchase	
<i>Travellers cheques</i>	High street bank or bureau de change	Generally fee-free at time of purchase	Rates set at point of exchange in foreign country	When required in foreign country	Sometimes two exchanges are involved (i.e. a UK customer spending £ to buy \$ cheques later exchanged for native currency)
<i>Debit cards</i>	Current account bank	Per transaction and/or percentage	Rate set by provider	Approximate date of eventual purchase	Customer only learns of the actual exchange rate on checking statement. Debit cards can also be used to withdraw foreign currency which generally attracts different terms
<i>Credit cards</i>	Bank or specialist credit card provider	Per transaction and/or percentage	Rate set by card scheme or provider	Approximate date of eventual purchase	Customer only learns of the actual exchange rate on checking statement
<i>Prepaid £ cards</i>	Specialist prepaid provider or certain high street names	Per transaction and/or percentage; other fees may apply including loading or account management	Rate set by card scheme or provider	Approximate date of eventual purchase	Cards initially loaded in £; thereafter proposition is similar to debit card but can be more competitive
<i>Prepaid currency card</i>	Specialist prepaid provider or certain high street names	Generally no fee for purchases; other fees may apply	Rate set by provider	Point of loading	Cards loaded in the currency which will eventually be spent; exchange rates generally transparent at time of loading
<i>Wire transfer</i>	High street bank, high street fx broker or online broker	Fees often apply to transfers	Rate set by provider	Point of purchase	Some kind of account setup is required
<i>Specialist remittance</i>	High street money transfer specialist	Fees generally apply	Rates set by provider	Point of purchase	Often possible to send money by providing proof of ID without formal account setup process

Customer profiles and behaviour patterns

Overseas spending

The multicurrency payment market has undergone substantial changes in the last thirty years. Before this time, most travelling consumers would have taken travellers cheques and cash with them when overseas. There has been growing acceptance of using debit and credit cards overseas, and more recently the advent of specialist prepaid cards for foreign currency usage.

The introduction of prepaid cards has emerged alongside two further significant changes in consumer behaviour. The first is a general movement towards conducting all kinds of financial affairs online, led by popular e-commerce outlets such as amazon.com and ebay.com and followed by the introduction of online banking, normally in single currency, by all major banks. Launching into this increasingly online-based environment, prepaid cards have online account management as a core feature and this has permitted some innovations which reduce overheads and enable very competitive offerings.

International Payments

A similar but slower change is occurring in the area of sending money overseas. As recently as twenty years ago, the process would have involved a visit to a branch, the filling out of a form, the checking of identity documents and, consequently, the transfer would have taken several days to complete. Specialist FX firms existed but their customers were the minority who were aware of their existence and, in most cases, required frequent or large overseas transfers.

Many large banks now offer overseas transfers as part of their online banking offering, albeit at high fees, and there are many FX Brokers who are happy to sign up customers online or over the phone. Meanwhile the remittance market has always been served in large part separately by specialist high street remittance services who often take payment in physical cash; this segment of the market has been slower to adapt or move online as many of the customers may not in general use online financial services.

7. Customers and Partnerships

FAIRFX divides its customers into two distinct groups; personal and business. As at 30 June 2014 the total number of personal customers was 362,407 whilst the total number of business customers was approximately 1,000 and included such clients such as Aston Martin, Harrods and Toyota.

FY2013 Revenue attributable to personal and business customers is shown below:

FY2013 Revenue Breakdown (£m)	<i>Personal</i>	<i>Business</i>
Cards	115	22
FairPay	30	1
Physical Currency	53	0
Dealing	35	66

Personal customers have historically represented the majority of Group sales. Personal customers dominate the 'multi-payments' market.

New personal customers are acquired online by FAIRFX utilising referral arrangements with the Group's partners, television advertising and PPC to generate website traffic to FAIRFX.

Within the 'multi-payments' market, FAIRFX's personal customers use pre-paid MasterCard and Visa platforms for their currency delivery, with an average inbound transaction of £370 delivering a 2 per cent. margin. Inbound payments are undertaken on average 3.9 times per annum for personal customers and generate an average profit on £7 per inbound transaction. Outbound payments average 15 times per annum. Multi-payment personal customers provide the Company with its main channel of customer acquisition. 'SinglePayment' personal customers provide much higher average inbound transaction of £5,800 on lower margin of between 0.4 and 1.5 per cent. and 3.3 times per annum. Although lower value, this type of personal customer is more attractive to FAIRFX and provides an average profit of £49 per transaction. Single and multipayments personal transactions can all be undertaken in one Mobile app and one account. FAIRFX's personal customers have a high level of satisfaction, with over 60 per cent. referring a friend. In 2013, there were 1.55 million outbound

transactions, equating to 1 every 24 seconds. Additionally, there was 1 inbound transaction every 60 seconds.

Business customers acquired online are directed to the Group's website, www.fairfx.net, and traffic is driven using affiliate/referral arrangements and PPC. This is augmented by a telephone-based sales team.

For 'multi-payment' business customers, FAIRFX supplies a T&E platform with hierarchical permissioning allowing issue, load, unload, transfer and spending of currency. Inbound transactions by 'multi-payment' business customers are undertaken 5 times per annum on average with a value of £876 and a 1.3 per cent. margin. There are 40 outbound payments per annum by 'multi-payment' business customers. Transactions are downloadable via CSV to expenses modules.

FAIRFX's FairPay and Dealing products service business customers in the 'single-payments' market and have serviced over 1,000 businesses. Such transactions average £17,285 for inbound, 4.3 times per annum on a margin of 0.52 per cent. Again, the single-payment customers are more attractive and offer higher value transactions. Average profit per inbound transaction is £92.

In addition to the above, FAIRFX has entered into a number of "white-label" arrangements for the use of its P2P matching platform. Customers include easyJet, ThinkMoney and Pitney Bowes. The Group has also partnered with Concur Technology Inc., a leading provider of integrated travel and expense management solutions with over 25 million users globally. Such relationships provide strong support for FAIRFX's customer acquisition strategy.

8. Current Trading and Selected Financial Information

Since the year ended December 2013, FAIRFX's results to end of June 2014 have continued the strong growth trajectory of 2013 with all product lines expanding rapidly. The Multi-pay product lines are up 52 per cent. on the equivalent period in 2013 growing from £82 million to £125 million with the Single-pay offering increasing by 93 per cent. from £50 million to £97 million. Customer numbers are expanding rapidly also with 44,094 retail customers added year to date (to 30 June 2014), to bring the total to 362,407, compared with 26,175 in the equivalent 6 month period of 2013 for a growth rate of 68 per cent.

The continued expansion of the business has been underpinned by carefully targeted airing of the TV advertisement combined with increasing spend on PPC. In addition, a re-branding and refinement of the website and App has been ongoing in the period. The marketing spend in 2014 to date continues to be constrained by the available cash resources available to the business.

The financial information for the Company set out below has been extracted without material adjustment from the Historical Financial Information set out in Part 4 of this document.

<i>£'000</i>	<i>31 Dec 11</i>	<i>31 Dec 12</i>	<i>31 Dec 13</i>
Revenue	169,340	221,022	322,385
Gross Profit	1,561	2,102	2,773
Administrative expenses	1,459	1,783	2,644
Profit before tax	101	319	129

The biggest component of administrative expenses is payroll and recruitment costs and these rose slightly in 2013 over 2012 in line with headcount growth from 32 to 36 employees. The main increase in overall administrative expenditure was caused by marketing spend being £558,597 in 2013 compared to only £27,078 in 2012, an increase of £531,519. As referenced elsewhere in this document, it was this increase in marketing that fuelled the growth in 2013 and is the strategy that has been continued in 2014 to date.

9. Reasons for Admission and Use of Proceeds

The Placing will provide the Company with capital primarily to fund its marketing programme and to enhance its existing product offering and products under development. This will enable further growth of FAIRFX which should result in an increase in the Group's share of the multicurrency payments market.

The net proceeds of the Placing receivable by the Company, expected to be approximately, £1.7 million are intended to be used as follows:

- approximately £1.2 million to invest in a marketing programme; and
- approximately £0.5 million to invest in R&D, provide additional working capital for the Group to support its continued geographic expansion through a combination of organic growth, joint ventures and licensing agreements.

The Company has received advance assurance from HMRC that the shares to be issued under the Placing will be eligible shares under the EIS legislation and will form qualifying holdings under the VCT legislation and that its proposed activities would be regarded as a qualifying activity for these purposes. HMRC has confirmed that EIS relief should be available after the issue of relevant certificates and upon a claim being made by a qualifying individual. Further details about the VCT and EIS relief can be found in paragraph 16 of this Part 1 and paragraph 11 of Part 5 of this document.

10. Directors & Senior Management

Board

The biographical details of the Directors are set out below:

Jason Kingsley Drummond, 45 – Non-Executive Chairman

Mr. Drummond is one of the Founders and has been a Director since 2005 and Chairman since 2013. Mr. Drummond is an entrepreneur and has over 18 years' of experience founding, advising and working with technology and media-based public companies. In 1996, Mr. Drummond founded Virtual Internet plc which was listed on AIM in January 1999 and moved to the Main Market in April 2000, and was subsequently sold to Register.com Inc., a NASDAQ listed company in March 2002. Mr. Drummond has also founded various other companies including Coms plc, which was admitted to trading on AIM three years after its incorporation in 2003.

Ian Alexander Irving Strafford-Taylor, 53 – Chief Executive Officer

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

Nicholas Simon Jeffery, 46 – Non-Executive Director

Mr. Jeffery is currently Group Enterprise Director and Executive Board Director at Vodafone Group, prior to which he was Chief Executive of Cable & Wireless Worldwide. He began his career with Cable & Wireless plc (Mercury Communications) in 1991 and led the company's UK and international markets business units. Following this, Mr. Jeffery joined Microfone Limited as a Director and Ciena. Inc. as Head of Worldwide Sales and Europe Managing Director. Mr Jeffery is a member of the Chartered Institute of Marketing and gained a BSc in Economics from the University of Warwick.

Ajay Chowdhury, 52 – Non-Executive Director

Mr. Chowdhury is an experienced company director with particular expertise in digital media, digital retail, online and mobile industries. Mr. Chowdhury is currently Chief Executive Officer of Seatwave Limited, an online ticket sales marketing company. In addition, he is currently Non-Executive Director of the Department of Culture Media and Sport as well as the British Screen Advisory Council. Prior to this he was Executive Chairman of a multi-channel marketing Company, ComQi Group.

Senior Management

The biographical details of the Group's senior management are set out below:

Julian Michael Lewis Bean – Chief Technical Officer

Mr. Bean has worked for the Group since 2006, initially as Technical Manager and subsequently appointed as Technical Director in 2010. He is responsible for various aspects of

the Group's IT infrastructure and his work has been fundamental in the development of the Group's P2P matching platform and other technological systems. Mr. Bean studied at Cambridge University, where he gained a BA in Mathematics and also has a Ph. D. in Computational Logic.

11. Dividend Policy

The Company is primarily seeking to achieve capital growth for its Shareholders and it is the Board's intention, during the current phase of the Group's development, to retain future distributable profits and only recommend dividends when appropriate and practicable. The Company has never paid any dividends. In the long term, the Directors intend to follow a progressive dividend policy in respect of excess equity over and above that required to fund the Group.

12. Corporate Governance

The Directors recognise the value and importance of high standards of corporate governance. Accordingly, whilst the UK Corporate Governance Code does not apply to AIM companies, the Directors intend to observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in light of the Group's size, stage of development and resources. The Board also proposes, so far as practicable, to follow the recommendations set out in the corporate governance guidelines for smaller quoted companies published by the Quoted Companies Alliance.

The corporate governance guidelines were devised by the Quoted Companies Alliance, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the Quoted Companies Alliance considers the UK Corporate Governance Code to be inapplicable for many AIM companies. The corporate governance guidelines state that: "The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

Board

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

The Board has established an audit committee and a remuneration committee and formally delegated duties and responsibilities as described below.

Audit committee

The audit committee will be responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee will initially comprise Ajay Chowdhury and Nicholas Jeffery and will be chaired by Ajay Chowdhury with effect from Admission. The audit committee will meet at least 3 times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee will also meet regularly with the Company's external auditors.

Remuneration committee

The remuneration committee will be responsible for determining and agreeing with the Board the framework for the remuneration of the chairman, the executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses,

incentive payments and share options or other share awards. The remuneration of non-executive Directors is a matter for the Board. No Director will be involved in any decision as to his or her own remuneration.

The remuneration committee will comprise Ajay Chowdhury and Nicholas Jeffery and will be chaired by Nicholas Jeffery with effect from Admission. The remuneration committee will meet at least 3 times a year and otherwise as required.

Share dealing code

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

The Company will take proper steps to ensure compliance by the Directors and applicable employees of the Group with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

13. Compliance review

As part of its on-going compliance process, the Group recently commissioned an independent specialist financial services compliance company to review, in relation to the Company's foreign exchange and money remittance business, the adequacy and effectiveness of the Group's systems, procedures and controls in place.

This independent review identified a number of deficiencies and recommendations, which the Company has taken steps to address and implement. Furthermore, the independent review identified that processes being used by FAIRFX for safeguarding relevant funds, the so-called segregation method, were in breach of the requirements under regulation 19 of the Payment Services Regulations 2009, and accordingly the required notification has been submitted by the Company to the FCA and the processes have been amended.

Further information on key issues highlighted in this report and other compliance and regulatory matters are set out in the Risk Factors section in Part 2 of this document.

14. Share Options

On Admission the Company will have options outstanding over 4,822,800 Ordinary Shares representing approximately 7.1% of the fully diluted issued share capital. All of these options will have vested and be exercisable at the following prices:

Number of Ordinary Shares	<i>Exercise Price per Ordinary Share</i>
200,000	7.3 pence
447,750	21.86 pence
4,175,050	36.44 pence

In addition, the Company will grant options over 88,889 Ordinary Shares exercisable at the Placing Price to each of Nicholas Jeffery and Ajay Chowdhury conditional on Admission.

Further details of the Options are set out in paragraphs 2.11 to 2.13 and 12 of Part 5 of this document.

The Company has adopted the Share Option Plan. Any employee of the Group is eligible to participate in the Share Option plan as set out in paragraph 4 of Part 5 of this document.

15. Details of the Placing

On Admission the Company will have 67,750,628 Ordinary Shares in issue and a market capitalisation of approximately £30.5 million.

The Placing comprises the issue of 5,726,667 new Ordinary Shares (including VCT Placing Shares and EIS Placing Shares) to raise gross proceeds of approximately £2.6 million for the Company.

Cenkos has, as agent for the Company, conditionally agreed to use its reasonable endeavours to procure Placees for the New Ordinary Shares at the Placing Price pursuant to the Placing Agreement.

The Placing Shares will be placed with institutional and other investors introduced by Cenkos.

The Company has received provisional approval from HMRC that it has EIS and VCT status to achieve beneficial treatment for these investor groups.

In order to protect the Company's VCT and EIS status, the Placing will be effected in two tranches. The VCT Placing Shares and EIS Placing Shares will be offered to those investors who may seek relief under the VCT legislation and under the EIS legislation and the remaining Placing Shares will be offered to other investors. The Placing (other than the VCT Placing and EIS Placing) is conditional, *inter alia*, upon the VCT/EIS Placing having occurred, Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by no later than 1 August 2014, or such later date (being no later than 13 August 2014) as the Company and Cenkos may determine.

The VCT Placing Shares and EIS Placing Shares will be issued to Placees regardless of whether Admission occurs.

The Placing Agreement contains provisions entitling Cenkos to terminate the Placing prior to Admission becoming effective. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Cenkos. Further details of the Placing Agreement are set out in paragraph 8.1 of Part 5 of this document.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares (issued and to be issued) will commence on 5 August 2014.

Following the issue of the Placing Shares, Shareholders who do not participate in the Placing will suffer a dilution to their interests in the Company of approximately 8.45 per cent.

16. VCT and EIS eligibility

The Company has applied for and obtained, based on information supplied, advance assurance from HMRC that the VCT Placing Shares placed with VCTs are expected to constitute a qualifying holding for such VCTs. HMRC has also confirmed that the EIS Placing Shares should satisfy the requirements for tax reliefs under the EIS. Eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, investors should take their own independent advice and they are referred in particular to Part 5 of this document.

The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment but the Directors intend, as far as possible, to do so.

Information regarding taxation is set out in paragraph 11 of Part 5 of this document. These details are intended only as a general guide to the current tax position in the UK. If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.

17. Lock-in and Orderly Market Agreements

Those Directors and existing Shareholders who hold shares in the Company holding in aggregate 62,023,961 Ordinary Shares representing 91.55 per cent. of the Enlarged Share Capital (assuming that the Placing is fully subscribed) together with the holders of Options have undertaken in deeds dated 1 August 2014 to Cenkos and the Company not to dispose of any interest in any of their Ordinary Shares for 12 months from Admission except in certain limited circumstances.

Further details of the Lock-in Agreements are set out in paragraph of 8.3 of Part 5 of this document.

18. Admission, Settlements and Dealing

Application has been made to the London Stock Exchange for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 5 August 2014.

The Ordinary Shares will be in registered form and will be eligible for settlement through CREST.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and Euroclear UK & Ireland Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

In the case of Placees who have requested to receive Ordinary Shares in uncertificated form, it is expected that CREST accounts will be credited with effect from 5 August 2014. In the case of Placees who have requested to receive Ordinary Shares in certificated form, it is expected that share certificates will be despatched by post within 14 days of the date of Admission.

No temporary documents of title will be issued. All documents sent by or to a Placee who elects to hold Ordinary Shares in certificated form, or at his or her direction, will be sent through the post at the Placee's risk. Pending the despatch of definitive share certificates, transfers will be certified against the register of members of the Company.

The ISIN number of the Ordinary Shares is GB00BLS0XX25. The TIDM is FFX and the SEDOL is BLS0XX2.

19. Taxation

The Company has received provisional approval from HMRC that the VCT Placing Shares and EIS Placing Shares are capable of being a "qualifying holding" for the purpose of investment by a VCT or EIS investor.

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 11 of Part 5 of this document. That information is intended only as a general guide to the current tax position under UK law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

20. Takeover Code and Concert Party

The Takeover Code is issued and administered by the Panel and applies to all offers for public companies which have their registered office in the UK if any of their securities are admitted to trading on AIM.

The Panel is designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC).

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate interest of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would (except with consent of the Panel) be required to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interest in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person interested, together with its concert parties, in shares carrying more than 30 per cent. but holding shares carrying not more than 50 per cent.

of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

For the purposes of the Takeover Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of that company or to frustrate the successful outcome of an offer for the company. Control means a single holding, or aggregate holdings, of interests in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

In relation to the Company, a Concert Party (made up of the Company's Founders, certain other providers of capital to the Company and certain employees of the Company) is currently interested in approximately 100 per cent. of the voting rights of the Company.

Following Admission, it is anticipated that the Concert Party will hold 62,023,961 Ordinary Shares representing 91.55 per cent. of the Enlarged Share Capital and the Concert Party will hold 4,372,800 options. Following the exercise of all relevant options, the Concert Party will hold 66,396,761 Ordinary Shares representing a maximum interest of 92.0 per cent. of the enlarged share capital following the exercise of such options. As the Concert Party will hold more than 50 per cent. of the Enlarged Share Capital, members of the Concert Party (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate interest in shares without incurring any obligation under Rule 9 to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.

Further details of the Concert Party are set out in Part 3 of this document.

21. Further Information

The attention of prospective investors is drawn to the financial and other information set out in Parts 2 to 5 inclusive of this document, which provide additional information on the Group. In particular, prospective investors are advised to consider carefully the risk factors relating to any investment in Ordinary Shares set out in Part 2 of this document.

PART 2

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. In particular, the Company's performance may be affected by changes in market and/or economic conditions and in political judicial and administrative factors and in legal, accounting, regulatory and tax requirements in the UK and elsewhere. These risks could be substantial and are inherent in the Group's business. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in any Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. A prospective investor should therefore consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. If you are in any doubt about the contents of this document or the action you should take, you are strongly advised to consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision.

The Directors believe the following risks to be the most significant for potential investors in the Company. However, the risks listed do not necessarily comprise all those to which the Group is or may be exposed or all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Company and the Directors or that the Company and the Directors currently consider to be immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

If any events or circumstances giving rise to any of the following risks, together with possible additional risks and uncertainties of which the Company and the Directors are currently unaware or which the Company and the Directors consider not to be material in relation to the Group's business, were to materialise, the Group's business, financial condition, capital resources results and/or future operations could be materially and adversely affected. In such circumstances, the value of the Ordinary Shares could decline and an investor may lose part or all of his or her investment in the Company. There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. An investment in the Company is therefore suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that might result from such investment.

Investors should also take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. No warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and none of the Company, the Directors or Cenkos will be responsible for any tax consequences for any such investors.

A. Risks specific to the Group

1. *Compliance with laws or government regulations*

The international payments market is a highly regulated area of economic activity around the world. Regulations applicable to those operating in the market for international payments include financial services regulations, regulation relating to money laundering and financing of terrorism, sanctions laws and other regulations. There is a risk that the Group may fail to comply with these laws or government regulations. Any breach of law could have significant consequences for the Group operations. Accordingly, the Group is extremely vigilant in the monitoring of current and projected legal and compliance protocols.

FAIRFX plc is an authorised payment institution under the Payment Services Regulations 2009 ("PSRs") and is authorised by the Financial Conduct Authority ("FCA") for such purposes.

As part of its on-going compliance process, the Group has reviewed its internal policies and procedures. This review was performed in addition to its regular quarterly compliance audits performed by Barclays, the Group's banking partner. One element of this process has been to

commission an independent specialist financial services compliance company to review, in relation to the Company's foreign exchange and money remittance business, the adequacy and effectiveness of the Group's systems, procedures and controls in place, and to carry out a compliance review of the Group's obligations, under the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002 and the safeguarding requirements under regulation 19 of the PSRs. The independent review of FAIRFX plc identified a number of deficiencies and recommendations, which the Company has taken steps to address and implement. Moreover, the independent review identified that processes being used by FAIRFX for safeguarding relevant funds, the so-called segregation method, were in breach of the requirements under regulation 19 of the PSRs and accordingly the required notification has now been submitted by the Company to the FCA and the processes have been amended.

Historically, customer funds that are required under the PSRs to be segregated have been mingled in with other funds in a single safeguarding account. These other funds, relating to the Company's unregulated foreign exchange and e-money businesses, are not required to be safeguarded. Given the Group's desire to follow best practice and to address this identified weakness, the Group has undertaken a number of measures including making a prompt notification to the FCA setting out the review's findings in relation to safeguarding, implementing a new safeguarding policy to comply fully with the safeguarding requirements under the PSRs and altering its account structure so that relevant customer funds (related to the Group's money remittance business) can no longer be co-mingled with funds relating to the unregulated foreign exchange business and/or client currency relating to the Group's e-money business and are held in segregated, separate, properly designated accounts. In respect of the safeguarding deficiencies identified by the independent review, the Group has, at all times, been solvent and no customers of the Company have suffered any loss.

The FCA has primary responsibility for enforcing the PSRs in the UK. Accordingly, there is a risk that following on from the notification made by the Group to the FCA, the FCA may utilise one of its enforcement tools in relation to the deficiencies identified in the independent review. These including public censure; financial penalties; or cancelling or imposing conditions on authorisation or registration. If the FCA decided to impose a financial penalty, it would be proportional to the size of the Company's revenues from the relevant business activity. Historically, in respect of the safeguarding deficiencies this has been a minority of the revenue of the Group although it is growing rapidly. Nevertheless, any penalty could have an adverse effect on the Company's business and accordingly an existing Shareholder has committed to indemnify the Company in respect of any such financial penalty and any other loss resulting from these historical issues. The Directors believe that the proactive stance of the Group in commissioning the review and notification to the FCA and the promptness of its actions to deal with the identified issues should be taken into account in any consideration of the matters identified but there can be no certainty as to the actions which may be taken by the FCA, nor as to the timing of any such actions.

The independent review also identified a number of deficiencies in respect of the Group's anti-money laundering procedures. The Directors believe that these deficiencies did not prevent the Group from identifying any potential money laundering activities but as a result of the findings, the Group has re-drafted and supplemented its anti-money laundering policies, provided re-training to staff, re-designed its account opening forms and is in the process of updating other internal systems and controls in this area.

The Directors regard the issues identified above as now being historic and, in proceeding to Admission, the Directors believe that the Group is now compliant with applicable anti-money laundering and safeguarding requirements and will be commissioning a further independent review in August 2014. Furthermore, the Directors believe that it is applying industry best practice to its systems and controls in these areas.

2. The Group faces significant competition

The international payments market is highly competitive. Many existing providers either compete directly with the Group or provide services that are potential substitutes for the Group's services. The major existing competitors of the Group include banks, money transfer organisations and other international payments specialists. New competitors, services and business models that compete with the Group are likely to arise in the future. Many of these existing and potential competitors have substantially more resources than the Group.

There is a risk that an existing or potential competitor:

- allocates significantly more resources to competing in the international payments market, including resources devoted to marketing, developing technology and/or client service;
- develops a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform or service delivery method;
- responds to changes to regulations, new technologies or changes in client requirements faster and more effectively than the Group; or
- develops new services that compete more directly with the Group than their current services.

A substantial increase in competition for any of these reasons could result in the Group's services becoming less attractive to consumer or business clients and partner companies; require the Group to increase its marketing or capital expenditure; or require the Group to lower its spreads or alter other aspects of its business model to remain competitive, any of which could materially adversely affect the Group's profitability and financial condition.

3. *The Group's relationships with banks may be terminated or existing terms amended*

The Group is reliant on banks to conduct its business, particularly to provide its network of local and global bank accounts and act as counterparties in the management of foreign exchange and interest rate risk. There is a risk that one or more of these banks may cease to deal with the Group (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to the Group, exit one or more of the markets for which the Group uses its services, or collapse.

The loss of a significant banking relationship, or the loss of a number of banking relationships at the same time, could prevent or restrict the Group's ability to offer international payment services in certain jurisdictions, increase operating costs for the Group, increase time taken to execute and settle transactions and reduce the Group's ability to internally net out transactions, all of which could materially impact profitability. The Group seeks to mitigate this risk by maintaining relationships with multiple liquidity providers but an operational risk remains.

4. *The Group has key suppliers*

The Group has three key suppliers being PCT, City Forex Limited and Barclaycard .

PCT holds the contractual relationships with the key elements of the supply chain, including the card processor, MasterCard, VISA, the issuing banks and the card plastics manufacturers. Should PCT cease to provide these services or renew its agreement with the Group, FAIRFX's Card's business could be materially adversely affected. The Directors believe that the Group has mitigated this risk by creating direct business relationships with all of the above parties (card processor, MasterCard, VISA, issuing banks and card manufacturers) and can switch to direct contractual status with all such parties at short notice both legally and from a systems standpoint.

City Forex provides the cash delivery service to the business. Should City Forex Limited cease to provide these services or renew its agreement with the Group, FAIRFX's physical Cash business could be materially adversely affected. However, the Directors are confident that an alternative provider could be sourced if necessary, without material interruption.

The risk relating to the relationship with Barclaycard is described in paragraph 3 of this Part 2.

5. *IT development and risk of failure*

Services based on sophisticated software and computing systems often encounter development delays, and the underlying software may contain undetected errors or failures when introduced or when the volume of services provided increases. The Group may experience delays in the development of its software products or the software and computing systems underlying its services. In addition, despite testing by the Group and its potential customers, it is possible that the Group's software may contain errors, and this could have a material adverse effect on the Group's business and projections.

The market in which the Group operates is continually evolving which can often lead to product and software obsolescence. If the Group does not successfully adapt to changes in the market and technology, its business and results may adversely be affected.

The Group has attained PCI-DSS compliance certification, demonstrating the robustness and scalability of its technological platform. The Directors have comfort that risks relating to software are mitigated by this high standard of certification.

6. The Group faces a risk from fraud

Combatting fraud is a significant challenge in the online payment services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Online payment companies are especially vulnerable because of the convenience, immediacy and anonymity of transferring funds from one account to another and subsequently withdrawing them. Facilitating financial transactions over the Internet makes dealing with the risk of fraud a cost of doing business.

The Group faces significant risks of loss due to fraud and disputes between senders and recipients. If the Group is unable to deal effectively with losses from fraudulent transactions the business would be harmed. Examples of such risks include:

- unauthorised use of credit card and bank account information and identity theft;
- merchant fraud;
- breaches of system security;
- employee fraud; and
- unauthorised use of the Company's platform.

In regards to tangible measures of the Group's ability to tackle such risk, the data for 2013 from the Groups' major merchant acquiring relationship, Barclaycard, shows that the fraud on payments into the Group accounted for less than 0.04 per cent. of the funds paid via debit and credit cards. This compares with a typical percentage of 0.2 per cent. and, as such, the Group has demonstrably robust processes for identifying and preventing fraud.

7. The Group may suffer from failure of or damage to its technology platform

The Group depends on the performance, reliability and availability of its proprietary technology platform and communications systems. There is a risk that these systems may be adversely affected by a number of factors including damage, equipment faults, power failure or natural disasters. Events of that nature may cause part or all of the Group's technology platform or website to become unavailable. This in turn could reduce the Group's ability to generate income, impact client service levels and cause damage to the Group's reputation and, potentially, have a material adverse effect on its financial position and performance.

There is also a risk that potential faults in the Group's technology platform could cause transaction errors that could result in legal exposure from clients, potentially leading to a loss of partner companies, damage to the Group's reputation or even cause a breach of certain regulatory requirements (including those affecting any required licence) and could, in turn, have a material adverse effect on the Group's financial position and performance.

The majority of the Group's transactions are conducted over the Internet and will therefore be subject to an element of risk.

The Group's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, and organised activities among groups of persons designed to breach the Group's security systems. To date, the Group's platform has never been down due to any kind of penetration or malicious attack. The Group utilises various techniques to ensure the integrity of the data on its servers.

Privacy breaches may expose the Group to additional liability and result in the loss of customers and users, or an inability to conduct business. Any inability on the Group's part to protect the privacy in the Group's electronic transactions or systems could have a material effect on profitability. A privacy breach could:

- expose the Group to additional liability under the privacy legislation of different jurisdictions;

- result in the suspension or termination of the Group's proposed FCA approval;
- result in a customer or user's financial information and bank account access falling into the hands of criminal elements; and
- deter customers and users from using the Group's product.

Again, the Group's PCI-DSS certification provides the Directors with comfort in this area.

8. The Group is reliant on its key personnel and employees

Failure to attract and retain key executives, officers, managers and technical personnel could adversely affect the Group's operating and financial performance. Attracting, training, retaining and motivating technical and managerial personnel is a critical component of the future success of the Group's business. The Group may encounter difficulties in attracting or retaining qualified personnel. Continued growth may therefore cause a significant strain on existing managerial, operational, financial and information systems resources.

The departure of any of the Group's relatively small number of executive officers or other key employees could have a negative impact on its operations. In the event that future departures of employees occur, the Group's ability to execute its business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Group depends, to a significant extent, upon the abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Group's ability to maintain and/or improve its operating and financial performance. As a consequence, the cost base associated with the remuneration of key personnel may increase significantly.

9. Substantial shareholder will be able to exert significant influence over the Company

On Admission, Pembar Ltd will hold 29,837,300 Ordinary Shares in the Company, equating to 44.0 per cent. of the Enlarged Share Capital, and therefore it is a substantial shareholder of the Company. As a result of its substantial shareholding, Pembar Ltd, subject to the Articles and applicable laws and regulations, will be able to exercise significant influence over all matters requiring Shareholders' approval, including the composition of the Board, the timing and amount of dividend payments and the approval of general corporate transactions.

10. VCT and EIS eligibility

The VCT Placing Shares and EIS Placing Shares are to be issued to Placees regardless of whether Admission occurs. Consequently, in the event Admission does not occur, Placees subscribing for VCT Placing Shares and EIS Placing Shares may result in holding shares in a company that is unable to publicly trade its shares on AIM. The Company has received advance assurance from HMRC that it is a qualifying company for investment by VCTs and its shares should be eligible for investment under EIS. The Company and the Directors do not give any warranties or undertakings that the Company will remain a qualifying holding for investment by VCTs or under the EIS. Additional information on the VCT and EIS qualifying status is included in paragraph 16 of Part 1 of this document. Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT or EIS qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status.

If the Company does not employ the proceeds of a VCT share issue for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings. The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company. If the Company does not employ the whole of the proceeds from EIS investors within 24 months, EIS tax relief will be withdrawn.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade under the VCT or EIS legislation, this could prejudice the qualifying status

of the Company (as referred to above) under the VCT and EIS Schemes. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Any company receiving aid through any Government State aid scheme, that would include from VCTs and under the EIS, individually or combined, that amounts to a value above the investment limit currently shown at section 292A(1) of the Income Tax Act 2007 (£5 million per annum) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

B. GENERAL MARKET RISKS

1. Potential requirement for further investment

Any future expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, significant dilution to the then existing shareholdings may result and any new equity securities could have rights, preferences and privileges superior to those of current Shareholders. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of any future investment will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion activity.

2. Current operating results as an indication of future results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Group's results to date as an indication of future performance. Factors that may affect the Group's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, slower than expected sales and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Group's operating results may fall below the expectations of market analyst or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

3. Force Majeure

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failure, power loss, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions. For example, a system outage or data loss resulting from such an event could have a material adverse effect on the Group's business, financial condition and results of operations.

4. Investment in AIM securities

AIM securities are not admitted to the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

5. Investment risk

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and is perceived to involve a higher degree of risk and to be less liquid than an investment in companies whose shares are listed on the Official List and traded on

the London Stock Exchange's Main Market for listed securities. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

6. Potentially volatile share price and liquidity

The share price of quoted emerging companies can be highly volatile and shareholding illiquid. Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore be unable to recover their original investment in full and could even lose their entire investment. This volatility could be attributable to various facts and events, some specific to the Company, the Group and their operations and some which affected quoted companies generally. For example, such facts and events may include the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, developments in the Company's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Company's operating performance or the overall performance of the sector in which the Company operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Placing Price.

7. Illiquidity

There will have been no public trading market for the Ordinary Shares prior to Admission. The Ordinary Shares may therefore be illiquid in the short to medium term and, accordingly, an investor may find it difficult to sell Ordinary Shares, either at all or at an acceptable price. Further, the Company can give no assurance that an active trading market for the Ordinary Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares. The market price of the Ordinary Shares may drop below the Placing Price. Any investment in the Ordinary Shares should be viewed as a long term investment.

PART 3

INFORMATION ON THE CONCERT PARTY

The information set out in this Part 3 is included for the purposes of the Takeover Code only.

1. Information on the Concert Party

The members of the Concert Party comprise the Founders, certain other providers of capital to the Company and certain employees of the Company. The Concert Party comprise those individuals referred to in paragraph 2 below. The majority of the members of the Concert Party have been a significant influence in the Group's growth and development since its establishment. Full details of members of the Concert Party are described in this Part 3.

2. Information on each of the members of the Concert Party

- | | |
|----------------------|--|
| Ian Strafford-Taylor | — is a Founder, Director and Shareholder of the Company. Mr. Strafford-Taylor was appointed as a director of FairFX Plc in 2007. Further details regarding Mr. Strafford Taylor are set out in paragraph 10 of Part 1 and paragraph 5 of Part 5 of this document. Mr. Strafford-Taylor was introduced to the Company by Stephen Heath as an investor. |
| Jason Drummond | — is a Founder, Director and Shareholder of the Company. Jason was an initial founder of the Group's trading business, alongside Ashley Levett. Further details regarding Mr. Drummond are set out in paragraph 10 of Part 1 and paragraph 5 of Part 5 of this document. |
| Stephen Heath | — is a Founder and Shareholder of the Company and has previously held the roles of Chief Executive and Executive Chairman of the Company. Mr. Heath was introduced to the Company by Ashley Levett, and subsequently he introduced Mr. Strafford-Taylor, Mr. Morrison and Mr. Breslin as founding investors. Mr. Heath has a long-standing personal and business relationship with Mr. Strafford Taylor. |
| Ashley Levett | — is a Founder and Shareholder of the Company. Mr. Levett was an initial founder of the Group's trading business, alongside Jason Drummond. Mr Levett holds his shares in the Company through Pembar Limited, a company ultimately controlled by Mr. Levett. |
| Christian Levett | — is the brother of Founder, Ashley Levett, and is a Shareholder of the Company. Christian was also a director of the Company's subsidiary, FairFX (UK) Limited until 24 February 2014. |
| Tom Breslin | — is the ultimate controller of Federal Trust Company Limited, an existing Shareholder of the Company. Mr. Breslin and Stephen Heath are business partners in a South African company which has no connection with the Company itself. Mr. Breslin was introduced to FAIRFX by Stephen Heath, with whom he had an existing business relationship. |
| Paul Brooker | — is a Shareholder and was introduced to FAIRFX by Ashley Levett, with whom he has an existing business relationship. |
| Keith Abel | — is a Shareholder and was introduced to FAIRFX through an existing business relationship with Ashley Levett. |
| Richard Abbott | — is an owner and ultimate controller of Ropley Associates Limited, an existing Shareholder of the Company. Mr Abbott invested in the Company through Ropley Associates Limited having been introduced to FAIRFX by Ashley Levett and Jason Drummond, with whom Mr. Abbott has existing business relationships. |
| Daniel Morrison | — is an existing Shareholder and invested in the Company having been introduced by Stephen Heath. Prior to investing, Mr. Morrison in his capacity as a solicitor had previously advised Stephen Heath as a client in a separate legal matter. |

- Richard Hills — is an owner and ultimate controller of Newstead Holdings Limited, a Shareholder of the Company. Mr. Hills invested having been introduced to FAIRFX by Ashley Levett, an existing friend of Mr. Hills.
- Matthew Tawse — is an owner and the ultimate controller of both Highland Fund Managers Limited and AA Management Holdings Limited, which are both existing Shareholders of the Company. Mr. Tawse invested through these entities having been introduced to FAIRFX by Ashley Levett and Jason Drummond, with whom Mr. Tawse had existing business relationships.
- Michael Fitzgerald — is a Shareholder and invested in the Company through Clover Leaf Holdings Limited, a company of which Mr. Fitzgerald is the ultimate controller. Mr Fitzgerald was introduced to FAIRFX because of an existing business relationship with Ashley Levett.
- Julian Bean — is an employee of the Company and an option holder. Further details of Mr. Bean are set out in paragraph 10 of Part 1 of this document.

Save as disclosed in this Part 3 and Part 5 of this document, no relationships (personal, financial or commercial), arrangements or understandings exist between the Concert Party or any of the Directors (or their close relatives and related trusts) or Shareholders of the Company or any other adviser to the Company under Rule 3 of the Takeover Code (or any person who is, or is presumed to be, acting in concert with any of such person).

3. Disclosure of interests and dealings in relevant securities

3.1 Concert Party interests in the Company

The relevant interests of all the members of the Concert Party in the Company as at 31 July 2014 (being the latest practicable date prior to the date of this document) and their maximum controlling position following Admission, and assuming that any Options that they hold are exercised in full, are as follows:

	<i>Number of Existing Ordinary Shares held¹</i>	<i>Percentage beneficial interest in Existing Ordinary Shares¹</i>	<i>Number of Options</i>	<i>Number of Ordinary Shares following Admission²</i>	<i>Beneficial interest following Admission²</i>	<i>Number of Ordinary Shares following exercise of all relevant Options</i>	<i>Beneficial interest following exercise of all relevant Options</i>
Ashley Levett*	29,837,300	48.11%	0	29,837,300	44.04%	29,837,300	41.37%
Christian Levett	9,724,900	15.7%	0	9,724,900	14.35%	9,724,900	13.48%
Daniel Morrison	1,267,350	2.0%	0	1,267,350	1.87%	1,267,350	1.76%
Ian Strafford-Taylor	2,127,750	3.43%	3,518,000	2,127,750	3.14%	5,645,750	7.83%
Jason Drummond	5,000,000	8.06%	0	5,000,000	7.38%	5,000,000	6.93%
Keith Russell Abel	212,550	0.34%	0	212,550	0.31%	212,550	0.29%
Matthew Tawse	1,315,050	2.12%	0	1,315,050	1.94%	1,315,050	1.82%
Michael Fitzgerald*	451,600	0.73%	0	451,600	0.67%	451,600	0.63%
Paul Brooker	1,287,350	2.07%	0	1,287,350	1.90%	1,287,350	1.78%
Richard Hills*	2,241,500	3.61%	0	2,241,500	3.31%	2,241,500	3.11%
Richard Abbott*	291,100	0.47%	0	291,100	0.43%	291,100	0.40%
Stephen Heath	7,662,361	12.35%	0	7,662,361	11.31%	7,662,361	10.62%
Tom Breslin*	605,150	0.98%	0	605,150	0.89%	605,150	0.84%
Julian Bean	0	0.00%	854,800	0	0.00%	854,800	1.19%

1. As at the latest practicable date prior to the date of this document.

2. Assuming no exercise of the relevant Options.

* Shares held via a separate entity as described above

PART 4

FINANCIAL INFORMATION

SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF FAIRFX (UK) LIMITED

3rd Floor, Thames House
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

1 August 2014

Dear Sirs

FairFX (UK) Limited (the ‘Company’) and its subsidiaries (the ‘Group’)

We report on the financial information set out on pages 36 to 50 for the financial years ending 31 December 2011, 31 December 2012, 31 December 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 28 July 2014 (the “Admission Document”) of FairFX Group plc on the basis of the accounting policies set out in paragraph 3. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Company as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits, cash flows and recognised gains and losses and changes in equity for the three years ended 31 December 2011,

31 December 2012 and 31 December 2013 in accordance with the basis of preparation set out in the Company's latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

KPMG LLP

PART 4

FINANCIAL INFORMATION

**SECTION B – HISTORICAL FINANCIAL INFORMATION OF
FAIRFX (UK) LIMITED**

Consolidated Statement of Comprehensive Income for the Years Ended 31 December

	<i>Note</i>	<i>2011</i> £	<i>2012</i> £	<i>2013</i> £
Revenue		169,339,929	221,021,890	322,384,612
Cost of sales		(167,779,283)	(218,919,867)	(319,611,662)
Gross profit		1,560,646	2,102,023	2,772,950
Administrative expenses		(1,459,321)	(1,783,227)	(2,643,689)
Profit before tax and from operations	5	101,325	318,796	129,261
Tax expense	7	—	—	—
Profit for the year and total comprehensive income		101,325	318,796	129,261
Earnings per share				
Basic earnings per share (p)	17	8.4	25.9	10.5
Diluted earnings per share (p)	17	7.5	23.3	9.4

All amounts relate to continuing activities.

Consolidated Statement of Financial Position at 31 December 2011, 2012 and 2013

	Note	2011 £	2012 £	2013 £
ASSETS				
Non-current assets				
Property, plant and equipment	8	10,090	37,610	34,152
		<u>10,090</u>	<u>37,610</u>	<u>34,152</u>
Current assets				
Inventories	9	153,837	72,638	76,281
Trade and other receivables	10	604,227	3,214,830	9,035,474
Cash and cash equivalents	11	2,064,764	2,335,946	2,006,288
		<u>2,822,828</u>	<u>5,623,414</u>	<u>11,118,043</u>
TOTAL ASSETS		<u>2,832,918</u>	<u>5,661,024</u>	<u>11,152,195</u>
EQUITY AND LIABILITIES				
Equity attributable to Equity holders				
Share capital	12	122,949	122,949	122,949
Share premium		5,907,877	5,907,877	5,907,877
Retained deficit		(5,680,105)	(5,361,309)	(5,232,048)
Total equity		<u>350,721</u>	<u>669,517</u>	<u>798,778</u>
Non-Current Liabilities				
Trade and other payables	13	446,510	446,510	—
		<u>446,510</u>	<u>446,510</u>	<u>—</u>
Current Liabilities				
Trade and other payables	14	2,035,687	4,544,997	10,353,417
		<u>2,035,687</u>	<u>4,544,997</u>	<u>10,353,417</u>
TOTAL EQUITY AND LIABILITIES		<u>2,832,918</u>	<u>5,661,024</u>	<u>11,152,195</u>

Consolidated and Company Statement of Changes in Equity for the Years Ended 31 December

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Retained deficit</i> £	<i>Total</i> £
Balance as at 1 January 2011	119,288	5,480,983	(5,781,430)	(181,159)
Issue of shares	3,661	426,894	—	430,555
Profit for the year	—	—	101,325	101,325
Balance as at 31 December 2011	122,949	5,907,877	(5,680,105)	350,721
Profit for the year	—	—	318,796	318,796
Balance as at 31 December 2012	122,949	5,907,877	(5,361,309)	669,517
Profit for the year	—	—	129,261	129,261
Balance as at 31 December 2013	122,949	5,907,877	(5,232,048)	798,778

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

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for shares in excess of nominal value.
Retained deficit	Cumulative profit and losses attributable to equity shareholders.

Consolidated Statement of Cash Flows for the Years Ended 31 December 2011, 2012 and 2013

	Note	2011 £	2012 £	2013 £
Profit for the year		101,325	318,796	129,261
Cash flow from operating activities				
<i>Adjustments for:</i>				
Depreciation		9,005	13,580	23,558
Increase in trade and other receivables		(279,238)	(2,610,603)	(5,820,644)
Increase in trade and other payables		1,396,409	2,509,310	5,361,910
Decrease in inventories		30,617	81,199	(3,643)
Loss on disposal of assets		4,386	—	
Net cash generated from operating activities		1,262,504	312,282	(309,558)
Cash flows from investing activities				
Purchases of property, plant and equipment		(9,943)	(41,100)	(20,100)
Net cash used in investing activities		(9,943)	(41,100)	(20,100)
Net (decrease)/ increase in cash and cash equivalents		1,252,561	271,182	(329,658)
Cash and cash equivalents at the beginning of the year		812,203	2,064,764	2,335,946
Cash and cash equivalents at end of the year	13	2,064,764	2,335,946	2,006,288

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

1. General information

The company and group's consolidated financial statements for the year ended 31 December 2013 were authorised for issue on 3 April 2014 and the consolidated and company statement of financial position signed by Ian Strafford-Taylor on behalf of the board.

2. Standards and interpretations in 2013 which have not been adopted

The following relevant standards and interpretations have been issued but are not effective for the year ended 31 December 2013:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)

In all instances, the Board will consider the impact that these standards may have on the Group's 31 December 2014 financial statements.

3. Basis of presentation and significant accounting policies

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

3.1 Basis of presentation

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

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

In the opinion of the directors, based on the group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

3.2 Foreign currency

In preparing these financial statements, transactions in currencies other than the relevant entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transaction. At each statement of financial position date monetary items in foreign currencies are translated at the rate prevailing at statement of financial position date.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the statement of comprehensive income for the year.

3.3 Inventories

Inventories are valued at the lower of cost and net realisable value on a first in first out basis.

3.4 Trade and other receivables

Trade and other receivables are recognised by the group and carried at the original invoice amount less an allowance for any uncollectable or impaired amounts.

An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the statement of comprehensive income when they are recognised as being bad.

Other receivables are recognised at fair value.

3.5 Cash and cash equivalents

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

3.6 Trade and other payables

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

3.7 Taxation

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

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

3.8 Deferred tax

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

3.9 Revenue

Revenue represents the gross value of currency transactions undertaken by the group. Purchases of currency relating to these transactions are treated as cost of sales.

Revenue is recognised when a binding contract is entered into by a client and the profit is fixed and determined. When the group enters into a contract for forward delivery with a client it also enters into a separate matched forward contract with its bankers.

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

3.10 Interest expense recognition

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

3.11 Borrowings

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

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.

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

Plant and equipment – 33%

Fixtures and fittings – 20%

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

3.13 Share-based payments

The company has granted share options which are measured at fair value and recognised as an expense in the statement of comprehensive income with a corresponding increase in equity. The fair value of the options was estimated at the date of the grant using an option-pricing model. The fair value will be charged as an expense in the statement of comprehensive income over the vesting period. The charge where material is adjusted each year to reflect the expected and actual level of vesting.

4. Segmental analysis

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

Basis for segmentation

The business is currently focused on UK customers. As overseas locations are added, management will track turnover and gross revenues by geography.

The business has three major products that it offers: foreign currency on a prepaid travel card; foreign currency notes in the post; and foreign currency wired to a (typically overseas) bank account.

The economics of each product line is different both in terms of gross margin and also costs of sales. The reporting is segmented along these lines.

The revenues in all segments are derived from the difference between the foreign exchange rate that a customer is charged and the rate at which FAIRFX covers the transaction – either from the foreign exchange market or via peer-to-peer transactions with another customer.

Information about reportable segments

	2011 £	2012 £	2013 £
Revenues from external customers	169,339,929	221,021,890	322,384,612
Segment profit (loss) before tax	2,397,657	2,932,588	3,930,423
	2011 £	2012 £	2013 £
Revenues			
Prepaid cards	120,637,352	121,854,890	137,291,307
Travel cash	13,421,741	41,528,388	52,279,310
Single pay	35,280,836	57,638,612	132,813,995
Consolidated revenue	<u>169,339,929</u>	<u>221,021,890</u>	<u>322,384,612</u>
Profit or loss			
Prepaid cards	2,044,753	2,237,043	2,564,016
Travel cash	69,790	207,000	238,758
Single pay	283,114	488,515	1,127,649
Gross margin	2,397,657	2,932,558	3,930,423
Unallocated amounts	(837,011)	(830,535)	(1,157,473)
Consolidated gross profit	<u>1,560,646</u>	<u>2,102,023</u>	<u>2,772,950</u>

The line that the directors monitor is the gross foreign exchange spread earned (referred to as Gross Margin). This does not include hedging costs, card costs, processing costs, ATM fees and payments to affiliates which are deducted in arriving at gross profit in these financial statements.

5. Operating profit

Operating profit is stated after charging the following:–

	2011 £	2012 £	2013 £
Operating lease – property	—	75,436	75,436
Depreciation of plant and equipment and fixtures and fittings	9,005	13,580	23,558
Loss on disposal of property, plant and equipment	4,386	—	—
Net foreign currency differences	—	21,238	59,766
	<u>—</u>	<u>21,238</u>	<u>59,766</u>

6. Staff costs

Number of employees

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

	2011 Number	2012 Number	2013 Number
Administrative staff	27	32	36

Employee costs

	2011 £	2012 £	2013 £
Wages and salaries	870,845	963,311	1,359,930
Social security costs	97,557	123,968	149,050
	968,402	1,087,279	1,508,890

7. Taxation

	2011 £	2012 £	2013 £
Current year tax expenses	—	—	—
	—	—	—

Factors affecting tax charge for the period

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

	2011 £	2012 £	2013 £
Profit before taxation: Continuing operations	101,325	318,796	129,261
Taxation at the UK corporation rate tax of 22% (2012: 24%, 2011: 26%)	26,345	76,511	28,437
Capital allowances in arrears /(advance) of depreciation	307	(3,695)	365
Expenses not deductible for tax purposes	2,128	1,295	5,670
Tax losses utilised	(28,780)	(74,111)	(34,472)
Tax for the year	—	—	—

The group has estimated losses of £4,759,773 (2012: £4,916,469, 2011: £5,225,265) available for carry forward against future trading profits. A deferred tax asset has not been recognised as the directors do not believe it is probable that future taxable profits will be available against which they can be utilised.

8. Property, plant and equipment

	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost			
At 1 January 2012	65,946	6,029	71,975
Additions	40,133	967	41,100
At 31 December 2012	106,079	6,996	113,075
Additions	18,111	1,989	20,100
At 31 December 2013	124,190	8,985	133,175
Depreciation			
At 1 January 2012	57,324	4,561	61,885
Charge for the year	12,931	649	13,580
At 31 December 2012	70,255	5,210	75,465
Charge for the year	22,447	1,111	23,558
At 31 December 2013	92,702	6,321	99,023
Net book value			
At 31 December 2013	31,488	2,664	34,152
At 31 December 2012	35,824	1,786	37,610
At 31 December 2011	8,622	1,468	10,090

9. Inventories

	<i>2011</i> £	<i>2012</i> £	<i>2013</i> £
Finished goods	153,837	72,638	76,281

The company's stocks comprise stock of cards.

10. Trade and other receivables

	<i>2011</i> £	<i>2012</i> £	<i>2013</i> £
Trade receivables	444,898	2,785,809	8,481,405
Other receivables	130,633	393,882	348,043
Prepayments and accrued income	28,696	35,139	206,026
	604,227	3,214,830	9,035,474

11. Cash and cash equivalents

	2011 £	2012 £	2013 £
Cash at bank	2,064,764	2,335,946	2,006,288

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

12. Share capital

	2011 £	2012 £	2013 £
Authorised, issued and fully paid up capital			
1,229,492 ordinary shares of £0.10 each	122,949	122,949	122,949

13. Borrowings

	2011 £	2012 £	2013 £
Director's loan	111,628	111,628	111,628
Shareholder loan	334,882	334,882	334,882
	446,510	446,510	446,510

	2011 £	2012 £	2013 £
Current	—	—	446,510
Non-current	446,510	446,510	—
	446,510	446,510	446,510

14. Trade and other payables

	2011 £	2012 £	2013 £
Trade payables	1,813,216	4,344,576	9,421,016
Current borrowings	—	—	446,510
Taxation and social security	31,345	37,138	51,358
Accruals and deferred income	191,126	163,283	434,533
	2,035,687	4,544,997	10,353,417

	2011 £	2012 £	2013 £
Current	2,035,687	4,544,997	10,353,417

15. Financial instruments

In common with other businesses, the group is exposed to the risk that arises from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

15.1 Principal financial instruments

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

	2011	2012	2013
	£	£	£
Cash and cash equivalents	2,064,764	2,335,946	2,006,288
Trade and other payables	(2,035,687)	(4,544,997)	(10,353,41)
Non current borrowings	(446,510)	(446,510)	—
Trade and other receivables	575,531	3,179,691	8,829,448

15.2 Financial risk management objectives and policies

Credit risk

The group trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

The group's cash balances are all held with major banking institutions. The majority of trade receivables are due from credit worthy customers and or financial institutions and are automatically settled within a few days of arising. It is not thought that the credit risk is significant.

Liquidity risk

The group have given responsibility of liquidity risk management to the board who have formulated liquidity management tools to service this requirement.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows.

Market risk

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

Interest rate risk

The group is subject to interest rate risk as its bank balances are subject to interest at a floating rate.

Foreign currency risk

Some trade payables are denominated in foreign currencies however these liabilities are settled within a few days of arising so the risk to the group is low.

Fair value risk

In view of the above interest arrangement it is thought that fair value risk is minimal and that financial instruments are stated in the consolidated statement of financial position at value not significantly different from their fair value.

16. Share options

	2012 <i>Exercise price (£)</i>	2012 <i>Number</i>	2013 <i>Exercise price (£)</i>	2013 <i>Number</i>
Outstanding at 1 January	0.10	138,228	0.10	142,228
Granted during the year	0.10	4,000	0.10	—
Outstanding at 31 December	0.10	<u>142,228</u>	0.10	<u>142,228</u>

Historically, the Group granted share options to its directors and employees as well as external third parties. At the year end there were 142,228 unexercised share options. Of these options 48,681 were granted to two directors of the group. These options are exercisable upon either an initial public offering or the trade sale of the controlling interest of the group. They are also exercisable during the period 1 August 2014 to 3 November 2019. The Directors consider that the fair value of the options is immaterial and therefore no charge has been made in the statement of comprehensive income.

17. Earnings per share

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

	2011	2012	2013
Profit for the year attributable to ordinary shareholders (£)	101,325	318,796	129,261
Weighted average number of ordinary shares (basic)			
Issued ordinary shares at 1 January	1,192,875	1,229,487	1,229,487
Effect of shares issued	18,306	—	—
Weighted average number of ordinary shares at 31 December	<u>1,211,181</u>	<u>1,229,487</u>	<u>1,229,487</u>

Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares.

	2011	2012	2013
Profit for the year attributable to ordinary shareholders (£)	101,325	318,796	129,261
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	1,211,181	1,229,487	1,229,487
Effect of share options on issue	137,483	141,546	141,614
Weighted average number of ordinary shares (diluted) at 31 December	<u>1,348,664</u>	<u>1,371,033</u>	<u>1,371,101</u>

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the expected issue price on the targeted listing, discounted for 2012 and 2011 at an appropriate market rate.

18. Financial commitments

As at 31 December 2013 the Group had the following annual commitments under non-cancellable operating leases. The total future value of the minimum lease payment is as follows:

Land and buildings

	2011 £	2012 £	2013 £
Operating leases which expire:			
Not later than one year	67,244	—	31,432
Later than one year and not later than five years	—	94,296	—
	<u>67,244</u>	<u>94,296</u>	<u>31,432</u>

19. Related party transactions

Included within current borrowings are amounts of £334,882 (2012 and 2011: £334,882) and £111,628 (2012 and 2011: £111,628) due to Pembar Limited and Jason Drummond respectively. Pembar Limited is a company incorporated in British Virgin Islands and the controlling party of FairFX (UK) Limited. Jason Drummond is a Director of the Company.

Both loans carry interest at a rate of 2% over the Bank of England base rate and are repayable in full on expiry. Both lenders have agreed to waive the interest payable in respect of all previous years including the period ended 31 December 2013.

The Company has undertaken to repay the loans along with any relevant accrued interest within ten years of the advance, that is by June 2016. The company may also choose, at its discretion, to repay the loans in whole or in part at an earlier date.

Key management personnel compensation comprises the following:

	2011 £	2012 £	2013 £
Emoluments	<u>33,333</u>	<u>171,667</u>	<u>251,750</u>

Further information on share options is given in note 16.

20. Ultimate controlling party

Pembar Limited held a controlling interest in FairFX (UK) Limited and was the Company's immediate parent company. The ultimate controlling party of the Company is The General Trust Company SA, an off-shore trust which wholly owns Pembar Limited.

SECTION C – HISTORICAL FINANCIAL INFORMATION OF FAIRFX GROUP PLC

FAIRFX Group plc was incorporated on 4 March 2014 under the Companies ACT 2006 with a financial year end of 31 December.

Since the date of its incorporation, FAIRFX Group plc has not yet commenced operations and it has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document, and no separate historical financial information on FAIRFX Group plc is presented in this document.

We refer to paragraph 12(g) of Part 5 of this document for details on the agreement pursuant to which FAIRFX Group plc acquired the entire issued share capital of FairFX (UK) Limited.

PART 5

ADDITIONAL INFORMATION

1 Incorporation and status of the Company

- 1.1 The Company was incorporated and registered in England and Wales on 4 March 2014 under the Companies Act with registered number 8922461 as a public company limited by shares with the name FairFX (UK) Plc. On 15 May 2014, the Company changed its name to FAIRFX Group plc. On 23 July 2014, the Registrar of Companies issued a certificate under section 761 of the Companies Act enabling the Company to commence business.
- 1.2 The principal legislation under which the Company operates and which the Placing Shares will be issued is the Companies Act and regulations made thereunder. The Company is a public limited company and accordingly, the liability of its members is limited to the amount paid up or to be paid up on their shares.
- 1.3 The Company's legal and commercial name is FAIRFX Group plc.
- 1.4 The registered and head office of the Company is at 3rd Floor, Thames House, Vintners' Place, London EC4V 3BJ. The telephone number of the Company's registered office is +44 (0)20 7778 9350. The Company is domiciled in the United Kingdom.
- 1.5 The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations are carried on by the Company's subsidiaries.
- 1.6 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules is www.fairfx.com.

2 Share capital of the Company

- 2.1 The Company has no authorised share capital. As at 31 July 2014 (being the latest practicable date prior to the date of this document) the issued and fully paid up share capital of the Company was:

Class of shares	Nominal value	Issued share capital	
		£	number
Ordinary Shares	£0.01	614,743.50	61,474,350

- 2.2 Assuming that the Placing is fully subscribed, the issued share capital of the Company immediately following Admission will be:

Class of shares	Nominal value	Issued share capital*	
		£	number
Ordinary Shares	£0.01	677,506.28	67,750,628

* All shares are fully paid.

- 2.3 The following changes to the share capital of the Company have occurred on and from 4 March 2014 (being the date on which the Company was incorporated) to 31 July 2014 (being the latest practicable date prior to the date of this document):
- (a) on 4 March 2014, the Company was incorporated with an issued share capital of 1 ordinary share with a nominal value of £1.00;
- (b) on 22 July 2014, the ordinary share of £1.00 in issue in the capital of the Company was subdivided into 100 Ordinary Shares; and
- (c) on 22 July 2014, an additional 61,474,250 Ordinary Shares were issued as consideration for the acquisition by the Company of the entire issued share capital of FairFX (UK) Limited (the "**Subscription**").
- 2.4 On 28 July 2014, 549,611 Ordinary Shares were issued to Stephen Heath conditional upon Admission for nominal value pursuant to the agreement described in paragraph 12(h) below.

2.5 During the period on and from 4 March 2014 (being the date on which the Company was incorporated) to 31 July 2014 (being the latest practicable date prior to the date of this document), the Company did not hold any shares in treasury.

2.6 By resolutions passed on 22 July 2014 (each a “**Resolution**”), it was resolved that:

- (a) the directors be generally and unconditionally authorised, in accordance with section 551 of the Companies Act, to allot:
 - (i) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum aggregate nominal amount of £614,742.50 in connection with the Subscription;
 - (ii) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to an aggregate nominal amount of £82,222.23 in connection with the Placing;
 - (iii) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to an aggregate nominal amount of £71,139 in connection with the options granted on or before Admission to employees or director or former employees or directors of the Company and/or any of its subsidiaries as described in paragraphs 2.11 to 2.13 of this Part 5 of this document and any options granted under any new employee option plan to be adopted by the Company on or before Admission (the “**Share Option Arrangements**”);
 - (iv) shares in the Company or grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum aggregate nominal amount of £234,153.95 (being approximately one third of the then anticipated issued share capital of the Company on Admission);
 - (v) equity securities of the Company (within the meaning of section 560 of the Companies Act) in connection with an offer of such securities by way of a Rights Issue (as defined in the paragraph below) up to an aggregate nominal amount of £234,153.95 (being approximately one third of the of the then anticipated issued share capital of the Company at Admission),

provided that such authority would expire 18 months following the date of passing of the Resolution or, if earlier, at the conclusion of the next annual general meeting of the Company but, in each case, so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and so that the directors may allot equity securities or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if such authority had not expired.

“**Rights Issue**” means an offer to:

- (A) holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to the respective number of Ordinary Shares held by them; and
- (B) holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,

to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) subject to and conditional on the passing of the Resolution described at paragraph 2.6(a) above, the directors be and are hereby empowered, pursuant to section 570 of the Companies Act, to allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authority described in the Resolution

described at paragraph 2.6(a) above and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act, in each case:

- (i) pursuant to the Subscription up to an aggregate nominal amount of £614,742.50;
- (ii) pursuant to the Placing up to an aggregate nominal amount of £82,222.23;
- (iii) pursuant to the Share Option Arrangements up to an aggregate nominal amount of £71,139;
- (iv) in connection with an offer of such securities by way of Rights Issue (as defined in the Resolution described at paragraph 2.6(a) above); and
- (v) (otherwise than pursuant to paragraph 2.6(a) above), up to an aggregate nominal amount of £70,246.18 (being approximately 10 per cent. of the then anticipated entire issued share capital of the Company at Admission),

as if section 561(1) of the Companies Act did not apply to any such allotment, such authority to expire 18 months following the date of passing of the Resolution or, if earlier, at the conclusion of the next annual general meeting of the Company but, in each case, so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot equity securities or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

- 2.7 Other than the issue of Placing Shares pursuant to the Placing and on exercise of the Options as described in paragraph 2.11 to 2.13 of this Part 5 of this document, the Company has no present intention to issue any new shares in the share capital of the Company.
- 2.8 The Company does not have any securities in issue that do not represent share capital.
- 2.9 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.10 Save as disclosed in this paragraph 2, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly-owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing or on the exercise of the Options to be issued under the Share Option Plan, as referred to in paragraph 2.11 below) no such issues are proposed.
- 2.11 On 22 July 2014 the Company granted options over in aggregate 4,728,150 Ordinary Shares in exchange for the surrender of options that had been granted by Fairfx (UK) Limited to the option holders over the same proportion of that company's issued share capital and generally on the same terms. The options granted were as follows:

Optionholder	Number of Ordinary Shares	Exercise Price per Ordinary Share
Julian Bean	200,000	7.3 pence
Julian Bean	254,800	21.86 pence
Stephen Heath	501,800	21.86 pence
Stephen Heath	1,789,300	36.44 pence
Ian Strafford-Taylor	192,950	21.86 pence
Ian Strafford-Taylor	1,789,300	36.44 pence

The options granted became exercisable on Admission. Further details of the terms of the options are set out in paragraph 12 below.

The options granted to Stephen Heath were exercised under the arrangements described in paragraph 12 below.

- 2.12 On 28 July 2014 the Company granted options over an aggregate 2,385,750 Ordinary Shares at an exercise price of 36.44 pence per share to certain employees of the Group. The options granted became exercisable on Admission.
- 2.13 On Admission each of Nicholas Jeffery and Ajay Chowdhury will be granted options over 88,889 Ordinary Shares at an exercise price equal to the Placing Price. These options will vest in three equal tranches on the first, second and third anniversary of Admission and are in generally the same terms as the options to be granted under the Share Option Plan as described in paragraph 4 below.
- 2.14 Save as disclosed in paragraph 8 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 2.15 Save as disclosed in paragraphs 2.11 to 2.13 above, on Admission no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.
- 2.16 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 2.17 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares not to be held through CREST will be posted to allottees by 19 August 2014 (or as soon as practicable thereafter). Ordinary Shares to be held through CREST will be credited to CREST accounts on Admission.
- 2.18 During the period on and from 4 March 2014 (being the date on which the Company was incorporated) to 31 July 2014 (being the latest practicable date prior to the date of this document), the Company did not have convertible securities.

3 Articles of association

The Articles contain provisions, *inter alia*, to the following effect:

3.1 Objects

The Company has unrestricted objects in accordance with the Companies Act.

3.2 Voting rights

Subject to the rights or restrictions referred to in paragraph 3.3 below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

3.3 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

A member of the Company will not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 793 of the Companies Act within 14 days. The restrictions will continue for the period specified by the board provided that such period will end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by the Company of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

3.4 Dividends

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an Ordinary Share will bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a “scrip dividend”). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it became due for payment will be forfeited and cease to remain owing by the Company.

3.5 Return of capital

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Statutes, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division will be carried out as between the members or different classes of members. Alternatively the liquidator may, with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member will be compelled to accept any assets on which there is any liability.

3.6 Variation of rights

Any rights attaching to a class of shares in the Company may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting is two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

3.7 Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes or in any other manner which is from time to time approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the board.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is deposited at the office of the Company or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer and, if the transfer is signed by some other person on his behalf, the authority of that person so to do; (ii) the instrument of transfer is in respect of only one

class of share and (iii) is in favour of no more than four transferees. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent at least 0.25 per cent. of the issued shares of their class (exclusive of treasury shares), and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

3.8 Alteration of capital and purchase of own shares

The Company may alter its share capital in accordance with the provisions of and in any manner permitted by the Statutes.

3.9 General meetings

3.9.1 Annual general meetings

The board will convene and the Company will hold annual general meetings in accordance with the requirements of the Statutes.

3.9.2 Convening of general meetings

All meetings other than annual general meetings will be called general meetings. The board may convene a general meeting whenever it thinks fit. The board may also summon a general meeting for the purpose of appointing additional directors where there is a vacancy in the number of directors and such number of directors is less than the minimum fixed for the quorum. A general meeting will also be convened by the board on the requisition of members pursuant to the provisions of the Statutes or, in default, may be convened by such requisitions, as provided by the Statutes. The board will comply with the provisions of the Statutes regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

3.9.3 Orderly conduct of meetings

The board may, both prior to and during any general meeting, make any arrangements and impose any restrictions which it considers appropriate to ensure the security and/or the orderly conduct of any such general meeting, including, without limitation, arranging for any person attending any such meeting to be searched, for items of personal property which may be taken into any such meeting to be restricted and for any person (whether or not a member of the Company) who refuses to comply with any such arrangements or restrictions to be refused entry to or excluded from any such meeting.

3.9.4 Notice of general meetings

Subject to the provisions of the Statutes, an annual general meeting and all other general meetings of the Company will be called by at least such minimum period of notice as is prescribed under the Statutes for the type of meeting concerned.

The notice will specify the place, day and time of the meeting and the general nature of the business to be transacted.

Notice of every general meeting will be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the Company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting will state with reasonable prominence that a member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote at that meeting instead of him and that a proxy need not be a member of the Company (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait).

3.9.5 *Quorum*

No business, other than the appointment of a chairman, will be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business.

Except as otherwise provided by the Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised representative of a corporation which is a member will be a quorum. If within 15 minutes from the time appointed for the commencement of a general meeting a quorum is not present, or if during the general meeting a quorum ceases to be present, the meeting, if convened by or on the requisition of members, will be dissolved. In any other case, it will stand adjourned to such other day, time and place as the chairman may, subject to the Statutes, determine. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, or if during the general meeting a quorum ceases to be present, the adjourned meeting will be dissolved.

3.9.6 *Chairman*

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman will preside as chairman at every general meeting. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor the deputy chairman is present within 15 minutes after the time fixed for the commencement of the general meeting, or if neither the chairman nor the deputy chairman is willing to act as chairman, the directors present will choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting.

3.9.7 *Directors entitled to attend and speak*

Each director will be entitled, whether or not he is a member, to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares of the Company.

3.9.8 *Adjournment*

With the consent of any meeting at which a quorum is present, the chairman of the meeting may (and if so directed by the meeting will) adjourn the meeting either sine die or to another time or place.

In addition, the chairman of the meeting may, at any time without the consent of the meeting, adjourn the meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting. Any such member may nevertheless appoint a proxy for the adjourned meeting in accordance with all Articles.

3.9.9 *Method of voting and demand for poll*

At a general meeting, a resolution put to the vote of the meeting will be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) any two directors; or
- (c) not less than five members present in person or by proxy having the right to vote on the resolution; or
- (d) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares); or

- (e) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares),

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

3.9.10 *Taking a poll*

If a poll is demanded (and the demand is not withdrawn), it will be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the meeting), at such place and in such manner as the chairman of the meeting shall direct and he may appoint scrutineers (who need not be members).

3.9.11 *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

3.9.12 *Form of proxy*

An appointment of a proxy will be in writing in:

- (a) hard copy in any usual form or in any other form which the board may approve, signed by the appointor or his agent duly authorised in writing or, if the appointor is a corporation, will either be executed under its common seal or be signed by some agent or officer authorised to sign it; or
- (b) electronic form.

3.9.13 *Deposit of proxy*

The appointment of a proxy will:

- (a) in the case of an appointment in hard copy form, be delivered by hand or by post to the office or such other place within the UK as may be specified by or (i) on behalf of the Company for that purpose (ii) in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting to which it relates;
- (b) in the case of an appointment in electronic form, be received at an address specified (or is deemed by a provision in the Companies Act to have been specified) by or on behalf of the Company for the purpose of receiving documents or information in electronic form (i) in the notice convening the meeting or (ii) in any form of proxy sent by or on behalf of the Company in relation to the meeting or (iii) in any invitation in electronic form to appoint a proxy issued by or on behalf of the Company in relation to the meeting or (iv) on a website that is maintained by or on behalf of the Company and identifies the Company, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting to which it relates;
- (c) in the case of a poll which is taken more than 48 hours after it is demanded, be delivered or received as aforesaid not less than 24 hours before the time appointed for the taking of the poll; or
- (d) in the case of a poll which is not taken at the meeting at which it is demanded but is taken not more than 48 hours after it was demanded, be delivered in hard copy form at the meeting at which the poll was demanded to the chairman or to the secretary or to any director.

In calculating the periods referred to above, no account will be taken of any part of a day that is not a working day, as defined in section 1173 of the Companies Act.

In relation to any shares which are held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by electronic means in the form of an uncertificated proxy instruction.

An appointment of a proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting will not require to be received again for the purposes of any subsequent meeting to which it relates.

3.9.14 *Notice of revocation of proxy*

Notice of the revocation of the appointment of a proxy may be given in any lawful manner which complies with the regulations (if any) made by the directors to govern the revocation of a proxy.

3.10 **Directors**

3.10.1 *Number*

Unless otherwise determined by ordinary resolution of the Company, the number of directors (other than alternate directors) will not be less than two but there will be no maximum number of directors.

3.10.2 *Appointment of directors*

Subject to the provisions of the Articles, any person who is willing to act to be a director, either to fill a vacancy or as an additional director may be appointed by:

- (a) the Company by ordinary resolution; or
- (b) the board of directors of the Company,

but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

No person (other than a director retiring in accordance with the Articles) will be appointed or re-appointed a director at any general meeting unless:

- (a) he is recommended by the board of directors of the Company; or
- (b) not less than seven nor more than 42 clear days before the date appointed for the meeting notice in writing has been given to the Company by a member entitled to vote at the meeting (other than the person to be proposed) of such member's intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed and the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors.

3.10.3 *Remuneration*

The directors (other than any director who for the time being holds an executive office of employment with the Company or a subsidiary of the Company) will be paid out of the funds of the Company by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed £250,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine). Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and will accrue from day to day. The directors may be paid all travelling, hotel and other expenses properly incurred in and about the discharge of their duties as directors including expenses incurred in travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

3.10.4 *Retirement of directors by rotation*

- (a) At every annual general meeting any director:
 - (i) who has been appointed by the board since the previous annual general meeting;
 - (ii) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or

- (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

will be required to retire from office and may offer himself for re-appointment by the members.

- (b) The names of the directors to retire by rotation will be stated in the notice of the annual general meeting or in any document accompanying the notice. The directors to retire on each occasion will be determined (both as to number or identity) by the composition of the board on the day which is 14 days prior to the date of the notice convening the annual general meeting and no directors will be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time but before the close of the meeting.

3.10.5 *Position of retiring directors*

A director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to continue to act, be re-appointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he will retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

3.10.6 *Removal of directors*

The Company may by ordinary resolution, of which special notice has been given in accordance with the Statutes, remove any director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company.

3.10.7 *Vacation of office of director*

Without prejudice to the provisions of the Articles for retirement or removal, the office of a director will be vacated:

- (a) if he ceases to be a director by virtue of any provision of the Statutes or is removed from office pursuant to the Articles;
- (b) if he is prohibited by law from being a director;
- (c) if he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- (d) if a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (e) if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or
- (f) if he serves on the Company notice of his wish to resign, in which event he will vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

3.10.8 *Executive Directors*

The board, or any committee authorised by the board, may from time to time appoint one or more directors to hold any employment or executive office with the Company including that of chairman, chief executive or managing director for such a period (subject to the provisions of the Statutes) and on such terms as the board determine.

A director appointed to any executive office or employment shall automatically cease to hold that office if he ceases to be a director.

3.10.9 *Power to appoint alternate directors*

Each director may appoint another director or any other person who is willing to act as his alternate and may remove him from that office. The appointment as an alternate director of any person who is not himself a director will be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director will be entitled to receive notice of all meetings of the board and of all meetings of committees of which the director appointing him is a member, to attend and vote at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of the Articles will apply as if he were a director.

Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he will count as only one for the purpose of determining whether a quorum is present.

3.10.10 *Quorum and voting requirements*

- (a) A director shall not vote on (or be counted in the quorum) in relation to any resolution of the board concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each director and in that case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.
- (b) A director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested, save:
 - (i) where the other directors resolve that the director concerned should be entitled to do so in circumstances where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (ii) in any of the following circumstances:
 - (A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by the director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has himself assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (C) the giving to him of any other indemnity, where all other directors are also being offered indemnities on substantially the same terms;
 - (D) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;

- (E) any contract concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer the director is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (F) any contract in which the director is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - (G) any contract concerning any other company in which the director is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise, unless the company is one in which he has a relevant interest;
 - (H) any contract relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - (I) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company and/or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
 - (J) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death, or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to employees to which the fund or scheme relates; and
 - (K) any contract concerning the purchase or maintenance of insurance against any liability, for the benefit of persons including directors.
- (c) A company shall be deemed to be one in which a director has a relevant interest if and for so long as he (together with persons connected with him within the meaning of sections 252 to 255 of the Companies Act) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of the Companies Act) representing 1 per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company or if he can cause 1 per cent. or more of those voting rights to be exercised at his direction; and
- (d) Where a company in which a director has a relevant interest is interested in a contract, he shall also be deemed interested in that contract.

3.10.11 *Conflicts of interest requiring board authorisation*

- (a) A “**conflict of interest**” means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company (to which the provisions of paragraph 3.10.12 below apply).
- (b) The board of directors of the Company may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a director breaching his duty under the Statutes to avoid conflicts of interest (“**Conflicts**”).

- (c) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.
- (d) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of the Articles save that:
 - (i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and
 - (ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.
- (e) Where the board gives authority in relation to a Conflict, or where any of the situations described in this paragraph 3.10.11(e) applies in relation to a director (a “**Relevant Situation**”):
 - (i) the board may (whether at the relevant time or subsequently) (i) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (ii) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;
 - (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;
 - (iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the Company) information that is confidential to a third party, the director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company’s affairs, where to do so would amount to a breach of that confidence;
 - (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
 - (v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.
- (f) The directors may authorise a matter which may give rise to a Conflict on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall promptly be communicated to such person and shall apply to him on his appointment as a director.
- (g) A director shall not be regarded as having a Conflict by reason of his also being a director of or holding any other position with another member of the Group and the director shall not be in breach of any duty to the Company by reason of his disclosure of any information to the other member of the Group or by anything done by the other member of the Group including the exploitation of any property, information or opportunity following any such disclosure to it by the director. The directors may resolve that a specified company shall no longer be treated as a member of the Group for the purposes of this provision of the Articles.

3.10.12 *Other conflicts of interest*

- (a) If a director is in any way, directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, he must declare the nature and extent of that interest to the directors in accordance with the Statutes.
- (b) Provided he has declared his interest in accordance with paragraph 3.10.12(a) above, a director may:
 - (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
 - (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles;
 - (iii) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
 - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
 - (v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

3.10.13 *Benefits*

Subject to the provisions of the Statutes a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise. Subject to the interest of the director being duly declared, a contract entered into by or on behalf of the Company in which any director is in any way interested shall not be liable to be avoided; nor shall any director so interested be liable to account to the Company for any benefit resulting from the contract by reason of the director holding that office or of the fiduciary relationship established by his holding that office.

3.10.14 *Powers of the board*

The business of the Company will be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Statutes and, the Articles. No alteration of the Articles will invalidate any prior act of the board which would have been valid if the alteration had not been made.

3.10.15 *Borrowing powers*

Subject to the provisions of the Statutes and the Articles, the board may exercise all the powers of the Company to (a) borrow money, (b) to mortgage or charge all or any part of the Company's undertaking, property, assets (present and future) and uncalled capital, (c) to issue debentures and other securities, (d) and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The board will restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its Subsidiaries so as to secure (in relation to Subsidiaries only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (as defined in the Articles) (exclusive of intra-group borrowing) shall not, without the previous sanction of the Company in general meeting, exceed three times adjusted

capital and reserves or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time. For this purpose, “**adjusted capital and reserves**” and “**borrowings**” have the meaning given to them in the Articles.

3.10.16 *Indemnity of officers*

Subject to the provisions of, and so far as may be permitted by and consistent with the Statutes, each current or former director or other officer (other than an auditor) of the Company or any associated company may be indemnified out of the assets of the Company against:

- (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company other than in the case of a current or former director:
 - (i) any liability to the Company or any Associated Company (as defined in the Articles); and
 - (ii) any liability of the kind referred to in section 234(3) of the Companies Act; and
- (b) any liability incurred by or attaching to him in connection with the activities of the Company or any associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act) other than a liability of the kind referred to in section 235(3) of the Companies Act; and
- (c) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers.

3.10.17 *Funding of defence proceedings*

For the purpose of this provision in the Articles, references to “**liability**” include all costs and expenses incurred by the current or former director or other officer (other than an auditor) in relation thereto.

Subject to the provisions of and so far as may be permitted by the Statutes, the board may exercise all the powers of the Company to:

- (a) provide any current or former director or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or an associated company, or in connection with any application for relief under the provisions mentioned in section 205(5) of the Companies Act; and
- (b) do anything to enable any such person to avoid incurring expenditure,

but so that the terms set out in section 205(2) of the Companies Act shall apply to any such provision of funds or other things so done. For the purpose of this provision of the Articles references to “**director**” in section 205(2) of the Companies Act are to be deemed to include references to a former director or other officer (other than an auditor) of the Company.

The board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office (as defined in the Articles), insurance against any liability or expense incurred by him in relation to the Company or any associated company or any third party in respect of any act or omission in the actual or purported discharge of his duties or otherwise in connection with holding his office.

3.10.17 *Delegation to individual directors*

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) on such terms and conditions as it thinks fit and may revoke or vary all or any of them, but no person dealing in good faith shall be affected by any revocation or variation. The power to delegate contained in this provision of the Articles shall be effective in relation to

the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain provisions of the Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

3.10.18 *Committees*

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting of the committee will be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

3.10.19 *Board meetings*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

3.10.20 *Notice of board meetings*

Notice of a board meeting will be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in hard copy form to him at his last known address or any other address given by him to the Company for this purpose or sent in electronic form to him at an address given by him to the Company for this purpose.

3.10.21 *Quorum*

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, will be two. Subject to the provisions of the Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

3.10.22 *Voting*

Questions arising at any meeting will be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting will have a second or casting vote, unless he is not, in accordance with the Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

3.10.23 *Telephone and video conference meetings*

A meeting of the board may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:

- (a) to hear each of the other participating directors addressing the meeting; and
- (b) if he wishes, to address all of the other participating directors simultaneously, whether by conference telephone or by video conference or by any other form of communications equipment (whether in use when the Articles are adopted or developed subsequently) or by a combination of any such methods.

A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

3.10.24 *Resolutions in writing*

Any director may propose a directors' written resolution and the secretary must propose a written resolution if a director so requests. A resolution in writing signed by all the directors who are entitled to notice of a meeting of the board, to attend such meeting and to vote on such resolution will be as valid and effective as if it had been passed at a meeting of the board duly called and constituted provided that the number of directors signing the resolution is not less than the number of

directors required for a quorum necessary for the transaction of the business of the board. The resolution may be contained in one document or in several documents in like form, each signed or approved by one or more of the directors concerned.

4 Share Option Plan

The Share Option Plan allows unapproved and tax advantaged Enterprise Management Incentive options to be granted. The remuneration committee will supervise the operation of the Share Option Plan.

4.1 Eligibility

Any employee of the Group is eligible to participate at the discretion of the remuneration committee.

4.2 Exercise price

The exercise price per Ordinary Share will not be less than the market value at the date of grant.

4.3 Performance conditions

The exercise of options may be made conditional on the achievement of a specified performance target determined by the remuneration committee when options are granted. Options granted on or before Admission will not be subject to a performance condition.

4.4 Grant of options

Options may normally only be granted within 42 days of the announcement by the Company of its interim or final results each year or a change in legislation. Options may be granted outside these periods to new employees or if the remuneration committee considers that there are sufficiently exceptional circumstances to justify the grant of options at that time. No payment is required for the grant of an option. No option may be granted more than ten years after Admission.

4.5 Individual limit

The total market value (at the relevant grant date) of Ordinary Shares comprised in options granted to an employee in the any financial year of the Company under the Share Option Plan (and any other discretionary employee share plan of the Company) may not exceed 200 per cent of his annual basic remuneration save that the remuneration committee may grant additional options in exceptional circumstances. Benefits under the Share Option Plan are not pensionable.

4.6 Exercise of options

An option may normally only be exercised (subject to the satisfaction of performance conditions and continuing employment) after three years and within ten years from its grant. An option will normally lapse if the participant ceases to be an employee or director of the Group. If a participant dies, his vested options may be exercised within 12 months after his death. Unvested options lapse save to the extent that the remuneration committee decides otherwise. On cessation of employment in other circumstances all options (whether vested or not) lapse save to the extent that the remuneration committee decides otherwise. In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, unvested options will vest, subject to the achievement of performance targets and, unless the remuneration committee otherwise determines, the period of time elapsed since the date of grant.

4.7 Terms of options and issue of Ordinary Shares

Options are neither transferable nor assignable. Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may be used to satisfy the exercise of options.

4.8 Variation of capital

In the event of a variation of share capital the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the remuneration committee considers appropriate.

4.9 Amendment

The Directors may make amendments, but no amendment may be made which would adversely affect any rights already acquired by a participant. No alteration to the advantage of participants may be made to provisions relating to the persons to whom options may be granted, the limits on the total number of Ordinary Shares over which options may be granted, the limits on the number of options which may be granted to any participant, the adjustments to be made in the event of a variation of share capital and the periods during or circumstances in which Options may be exercised (except for minor alterations to benefit the administration of the Share Option Plan, to take account of a change in legislation or to obtain or maintain favourable exchange control or regulatory treatment for participants or any member of the Group).

4.10 Overall limit

In any ten year period the Company may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of the Company under the Share Option Plan and any other employee share plan adopted by the Company. Treasury shares will count as new issue shares for the purpose of this limit unless institutional guidelines cease to require such shares to be so counted. Options granted on or before Admission (details of which are set out in paragraphs 2.11 to 2.13 above of this Part 5 of this document) and options which lapse do not count for the purposes of the above limit.

5 Directors' and other interests

- 5.1 As at 31 August 2014 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, the interests (all of which are beneficial) of the Directors (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Companies Act) in the Company's issued share capital are or are expected to be as follows:

Director	Before Admission			Following Admission		
	Number of Ordinary Shares	Percentage of issued share capital	Number of options	Number of Ordinary Shares	Percentage of issued share capital	Number of options
Jason Drummond	5,000,000	8.06	0	5,000,000	7.38	0
Ian Strafford-Taylor	2,127,750	3.43	3,518,000	2,127,750	3.14	3,518,000
Nicholas Jeffery	0	0	0	0	0	88,889
Ajay Chowdhury	0	0	0	0	0	88,889

- 5.2 As at 31 July 2014 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission the Company is aware of the following existing Shareholders (other than any Director) who by virtue of the notifications made to it pursuant to the Companies Act and/or the Disclosure and Transparency Rules, are or will be immediately following Admission be interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital:

Name	Before Admission		Following Admission	
	Number of Ordinary Shares	Percentage of voting rights	Number of Ordinary Shares	Percentage of voting rights
Pembar Limited	29,837,300	48.11	29,837,300	44.04
Christian Levett	9,724,900	15.68	9,724,900	14.35
Stephen Michael Heath	7,662,361	12.35	7,662,361	11.31
Newstead Holdings Limited	2,241,500	3.61	2,241,500	3.31

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.4 The persons including the Directors, referred to in paragraphs 5.1 and 5.2 above, do not have voting rights that differ from those of other Shareholders.
- 5.5 Neither the Company nor any of the Directors are aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.7 Other than in respect of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

Name	Current directorships/ partnerships	Previous directorships/ partnerships
Jason Drummond	FairFX (UK) Limited FairFX Plc CA Sperati Plc MY6 Limited Crowdclub Limited Nenx Limited Sporting Days Limited Teather & Greenwood Limited Unitas Investments Limited	Bridge Brake Limited Chemserve Group Limited Coms.com Limited Coms plc Corporation Service Company (Europe) Limited Corporation Service Company (UK) Limited Media Corporation PLC Metacharge Limited Names Net Limited Networx Plc Onthebox.com Limited Parable Telecommunications Group Plc Parable Telecommunications Ltd Rcom (Direct) Limited Rcom (UK) Limited Virtual Internet (UK) Limited
Ian Strafford-Taylor	FairFS Limited FairFX (UK) Limited FairFX Plc FairFX Wholesale Limited FairFX Corporate Limited Inside Track 1 LLP Inside Track 2 LLP	Ingenious Film Partners LLP Ingenious Film Partners 2 LLP 13 Montagu Square Limited
Nicholas Jeffery	Vodafone plc	Microfone UK Ltd Ciena, Inc. Cable & Wireless PLC
Ajay Chowdhury	Seatwave Limited Department of Culture Media and Sport British Screen Advisory Council	30 South Hill Park London Limited Arts Council London ComQi Limited

- 5.8 None of the Directors has any unspent convictions in relation to indictable offences.
- 5.9 None of the Directors has been the subject of any public criticism and/or investigation by any statutory or regulatory authority (including a recognised professional body).
- 5.10 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

Jason Drummond was a director of Parable Telecommunications Group plc and Parable Telecommunications Limited both of which were placed into creditors' voluntary liquidation on 16 November 2001 and dissolved respectively on 23 September 2003 and 24 April 2005. There was a deficit of approximately £526,074 to creditors as a result of the creditors' voluntary liquidation of Parable Telecommunications Group plc of which Jason Drummond was the largest unsecured creditor at £268,880 and of approximately £2,706,902 to unsecured creditors as a result of the creditors' voluntary liquidation of Parable Telecommunications Limited of which Parable Telecommunications Group plc was the largest unsecured creditor at £2,519,185.

Jason Drummond was on the Board of Networx Plc, which within 12 months of his resignation, was placed into a Voluntary Members Liquidation (and subsequently dissolved on 13 September 2011) in order to facilitate the return of funds to shareholders.

Jason Drummond was a director of Media Corporation plc from 14 May 2003 until 16 February 2012. On 23 July 2012, within 12 months from his resignation, Media Corporation plc appointed liquidator in relation to its wholly owned subsidiary, Purple Lounge Limited, of which Media Corporation plc was also a corporate director. As at 23 July 2012 it was estimated that there was a shortfall to members of approximately US\$2.29 million Media Corporation was the largest creditor and represented approximately 70 per cent. of the member shortfall.

Jason Drummond was on the Board of European International PLC, which within 12 months of his resignation, was placed into compulsory liquidation and subsequently dissolved on 23 October 1996. No further information is available.

Jason Drummond has been a director of Unitas Investments Limited since 2 June 2011. On 24 June 2014, Unitas Investments Limited made a voluntary application to strike off the company.

- 5.11 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 5.12 No asset of any Director has at any time been the subject of a receivership.
- 5.13 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 5.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.15 Save as disclosed, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

6 Directors' service agreements and letters of appointment

6.1 Executive Directors

The following agreements have been entered into between the Directors and the Company:

- (a) a service agreement dated 1 August 2014 between (1) the Company and (2) Ian Strafford-Taylor pursuant to which Ian Strafford-Taylor was employed as the Chief Executive Officer of the Company, with his continuous employment beginning on

1 August 2006. Under the terms of the service agreement, Ian Trafford-Taylor's employment is to continue until the expiration of not less than 12 months' prior written notice in writing, such notice to be given by either party to the other, at a salary (subject to annual review) of £220,000 gross per annum inclusive of any fees to which he may be entitled as an officer of the Company or any member of the Group, such salary accruing from day to day and payable in arrears in equal monthly instalments on or about the last day of every month; and

The Company has agreed to pay Ian Trafford-Taylor a bonus of £90,000 and Jason Drummond a bonus of £70,000 in both cases conditional upon Admission

6.2 Non-executive Directors

The following agreements have been entered into between the non-executive Directors and the Company in each case conditional on and commencing from Admission:

- (a) a service agreement dated 1 August 2014 between (1) the Company and (2) Jason Drummond pursuant to which Jason Drummond was employed with effect from Admission as the Non-Executive Chairman of the Company, the employment to continue until the expiration of not less than six months' prior notice, such notice not to expire before the first anniversary of Admission, such notice to be given by either party to the other, Jason Drummond to work three days per week at a salary (subject to annual review) of £96,000 gross per annum inclusive of any fees to which he may be entitled as an officer of the Company or any member of the Group, such salary accruing from day to day and payable in arrears in equal monthly instalments on or about the last day of every month;
- (b) a letter of appointment dated 7 April 2014 pursuant to which Nicholas Jeffery is to be appointed as a non-executive director of the Company, the appointment being for an initial period of three years and terminable by either party on 3 months' written notice, at an annual fee (exclusive of VAT) of £35,000, paid quarterly in arrears and an additional fee of £5,000 gross per annum, paid quarterly in arrears for being chairman of the Company's Remuneration Committee; and
- (c) a letter of appointment dated 7 April 2014 pursuant to which Ajay Chowdhury is to be appointed as a non-executive director of the Company, the appointment being for an initial period of three years and terminable by either party on 3 months' written notice, at an annual fee (exclusive of VAT) of £35,000, paid quarterly in arrears and an additional fee of £5,000 gross per annum, paid quarterly in arrears for being chairman of the Company's Audit Committee.

6.3 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors by members of the Group in respect of the year ended 31 December 2013 was approximately £177,500. It is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £296,000.

7 The Company and its subsidiaries

7.1 The Company is the holding company of the Group and has the following principal subsidiaries:

Name	Country of registration or incorporation	Principal activity
FairFX (UK) Limited	England & Wales	Intermediate holding company
FairFX Plc	England & Wales	FX trading company
FairFS Limited	England & Wales	Non trading subsidiary
FairFX Wholesale Limited	England & Wales	Dormant
FairFX Corporate Limited	England & Wales	Dormant
Fair Foreign Exchange Ireland Limited	Republic of Ireland Ireland	Dormant

- 7.2 The above companies are all directly or indirectly wholly-owned by the Company and, save for Fair Foreign Exchange Ireland Limited, have their registered office at 3rd Floor, Thames House, Vintners' Place, London EC4V 3BJ. The registered office address of Fair Foreign Exchange Ireland Limited is c/o Eversheds LLP at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2. Except for Fair Foreign Exchange Ireland Limited, which is incorporated in the Republic of Ireland, each of the above companies is registered in England and Wales and operates principally within the UK.
- 7.3 The average number of employees (including directors) of the Group during the financial year ended 31 December 2013 up to and including 31 July 2014 (being the latest practicable date prior to the date of this document) was 46, further details of which are contained in note 6 of Part 4 of this document. All such employees are based in the United Kingdom and none of the employees constitute temporary employees.

8 Placing and lock-in arrangements

8.1 Placing Agreement

The Company (1), the Directors (2) and Cenkos (3) have entered into the Placing Agreement dated 1 August 2014 pursuant to which and conditional upon, amongst other things, Admission taking place on or before 5 August 2014 (or such later time and or date as the Company and Cenkos may agree being no later than 13 July 2014), save in respect of the VCT Placing Shares and EIS Placing Shares (which will be issued regardless of Admission), Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing has not been underwritten by Cenkos.

The Placing Agreement contains warranties and indemnities from the Company and the Directors in favour of Cenkos together with provisions which enable Cenkos to terminate the Placing Agreement in certain circumstances prior to Admission, including where any warranties are found to be untrue or inaccurate and also in the event of a material adverse change in the financial position or prospects of the Company or in national or international financial, market, economic or political conditions.

Under the Placing Agreement the Company has agreed to pay Cenkos a commission of five per cent. of the gross aggregate value, at the Placing Price, of all Placing Shares subscribed pursuant to the Placing. The Company has agreed to pay all other costs, charges and expenses of or incidental to the Placing and Admission.

8.2 Nominated Adviser and Broker Agreement

The Company and Cenkos have entered into a nominated adviser and broker agreement dated 1 August 2014 (the "**Nominated Adviser and Broker Agreement**"), pursuant to which and conditional upon Admission, the Company has appointed Cenkos to act as its nominated adviser and broker for the purposes of the AIM Rules. The Company has agreed to pay Cenkos a fee of £60,000 per annum, reviewable annually for its services as nominated adviser and broker. The Nominated Adviser and Broker Agreement contains certain undertakings and indemnities given by the Company in respect of, amongst other things, compliance with all applicable laws and regulations. The Nominated Adviser and Broker Agreement (unless terminated prior to such date on one of the grounds specified in the Nominated Adviser and Broker Agreement) may be terminated on three months notice or otherwise in accordance with its terms.

8.3 Lock-in Arrangements

The Company and Cenkos have entered into lock-in deeds dated 1 August 2014 with all the existing Shareholders and the holders of Options at that date who have undertaken, subject to certain limited exceptions, including a sale in the event of an offer for all the Ordinary Shares in the Company, not to dispose of any of the Ordinary Shares which they hold, or have an interest in, immediately following Admission (or acquired by them following Admission) for a period of 12 months following Admission.

9 The Takeover Code and the Companies Act

9.1 Mandatory takeover bids

The Takeover Code applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The Takeover Code provides an orderly framework within which takeovers are conducted and the Panel has now been placed on a statutory footing.

The Takeover Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the Takeover Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There have not been any mandatory takeover bids in relation to the Company during the current financial year or the last financial year.

9.2 Squeeze out

Section 979 of the Companies Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration available under the takeover offer.

9.3 Sell out

Section 983 of the Companies Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

9.4 Pre-emption rights

The Company is subject to the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) which apply to the unissued share capital of the Company which is not subject to an existing disapplication as referred to in paragraph 2.7 of this Part 5.

10 Notifications of shareholdings

The provisions of Rule 5 of the Disclosure and Transparency Rules will apply to the Company and its Shareholders once its shares are admitted to AIM. Rule 5 of the Disclosure and Transparency Rules sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification.

11 UK taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders, domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK is strongly recommended to consult their own professional advisers.

11.1 Taxation of chargeable gains

11.1.1 *UK tax resident Shareholders*

Shares qualifying for EIS income tax relief or VCT relief are not subject to capital gains tax on disposal, up to permitted maximum limits. The following comments are only applicable if relief is not available or is withdrawn.

Disposals

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

HMRC have confirmed that securities dealt with on AIM will not be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on their availability should consult an appropriate professional adviser.

11.1.2 *Non-UK tax resident Shareholders*

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

11.2 Taxation of dividends

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

Dividends will not be subject to UK income tax if the holding of Ordinary Shares qualifies for VCT relief, up to permitted maximum limits. The following comments are therefore only relevant if VCT relief is not available or is withdrawn.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate dividend received and the tax credit (the “gross dividend”), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. A Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate (currently) of 32.5 per cent. to the extent that such sum, when treated as the top slice of the Shareholder’s income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual Shareholder who is resident for tax purposes in the UK and who is liable to tax at the “additional” rate will be liable to tax on the gross dividend at the rate of 37.5 per cent.

Corporate Shareholders who are UK resident should note that legislation has been enacted that has made significant changes to the corporation tax treatment of dividends. The legislation removes the previous blanket exemption from corporation tax that generally applied to dividends paid by one UK resident company to another and replaces it with more limited classes of exemption. Although it is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividend received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

11.3 UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)

11.3.1 No stamp duty or SDRT will arise on the issue or allotment of Placing Shares, nor on transfers or agreements to transfer Ordinary Shares by virtue of the exemption from 28 April 2014 from stamp duty and SDRT on shares traded on AIM (and not listed on a stock exchange).

11.3.2 The statements in this paragraph 11.3 apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

11.4 VCT Investment and EIS Tax Relief

11.4.1 VCT Investment

The Company has applied for and obtained advance assurance from HMRC that the Ordinary Shares should be able to form part of a qualifying holding for the purposes of the VCT legislation. The status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.

The advanced assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Placing Shares. The conditions for relief are complex and depend not only upon the qualifying status of the company, but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 6, Income Tax Act 2007.

Neither the Company nor its advisers give any warranties or undertakings that the VCT relief will be available or that, if given, such relief will not be withdrawn.

The tax legislation in respect of VCTs is found in Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Capital Gains Act 1992.

11.4.2 EIS Tax Relief

The Company has applied for and obtained advance assurance from HMRC that the Ordinary Shares will be eligible shares for EIS purposes, subject to the submission of the relevant claim form in due course. Prospective investors who may be eligible for EIS are strongly recommended to consult their own professional advisers, particularly on the conditions which must be satisfied by both the Company and the investor to obtain such relief, the nature of the tax advantage which may be obtained, and the circumstances in which relief may be withdrawn or reduced.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 5 of the Income Tax Act 2007. Neither the Company nor its advisers give any warranties or undertakings that EIS relief will be available, or that if available, such relief will not be withdrawn or reduced. The tax legislation in respect of EIS relief is found in Part 5 of the Income Tax Act 2007 and in Section 150A to 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992.

12 Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- (a) the Placing Agreement, details of which are set out in paragraph 8 above;
- (b) the Nominated Adviser and Broker Agreement, details of which are set out in paragraph 8.2 above;
- (c) the lock-in deeds, details of which are set out in paragraph 8.3 above;
- (d) a registrar services agreement dated 25 July 2014 entered into between the Company and Capita Registrars Limited in connection with the provision by Capita of registrar services to the Company;
- (e) a shareholder loan dated 9 June 2006 entered into between FairFX (UK) Limited and Jason Drummond, both a Shareholder and a Director, in respect of a loan in the principal sum of £110,000 of which a sum of 111,628 remained outstanding at 31 December 2013, carrying interest at a rate of 2 per cent. over the Bank of England base rate and which is

repayable in full on 9 June 2016. Jason Drummond, in his capacity as the lender pursuant to the shareholder loan, has agreed to waive the interest payable in respect of the period ended 31 December 2013;

- (f) a shareholder loan dated 9 June 2006 entered into between FairFX (UK) Limited and Pembar Limited, a significant Shareholder, in respect of a loan in the principal sum of £337,500 of which a sum of £334,882 remained outstanding at 31 December 2013, carrying interest at a rate of 2 per cent. over the Bank of England base rate and which is repayable in full on 9 June 2016. Pembar Limited, in its capacity as the lender pursuant to the shareholder loan, has agreed to waive the interest payable in respect of the period ended 31 December 2013;
- (g) a subscription agreement dated 22 July 2014 entered into between the Company, the shareholders FairFX (UK) Limited and FairFx (UK) Limited in connection with the transfer on the same terms to the Company of the entirety of each such shareholder's then existing shareholding in FairFX (UK) Limited in consideration for the issue and allotment to them in the same proportions of Ordinary Shares totalling, in aggregate, 61,474,250 Ordinary Shares;
- (h) On 1 August 2014 the Company and Stephen Heath entered into an agreement under which Mr Heath agreed to surrender the options over Ordinary Shares held by him (described in paragraph 2.11 above) in consideration for the issue to him of 549,611 Ordinary Shares at an subscription price of one penny per Ordinary Share;
- (i) a relationship agreement dated 1 August 2014 entered into between the Company, Cenkos and Pembar Limited in its capacity as a controlling shareholder of the Company. Pursuant to the relationship agreement the Company and Pembar Limited have agreed to regulate the relationship between them to ensure that, amongst other things, following Admission becoming effective and for so long as Pembar Limited remains a controlling shareholder of the Company, the Group will be capable at all times of carrying on its business independently of Pembar Limited and its Associates (as defined in the relationship agreement) and all transactions, agreements, relationships and arrangements entered into between Pembar Limited and its Associates (as defined in the relationship agreement) and the Group will only be made on an arm's length basis and on normal commercial terms; and
- (j) On 1 August 2014 Pembar Limited being an existing Shareholder entered into an indemnity in favour of the Company and Fairfx plc in relation to the matters referred to in the Risk Factor set out in paragraph A.1 (Compliance with laws or government regulations) of Part 2 of this document.

13 Related party transactions

Save as set out in note 19 of the Financial Information on the Group in Part 3 of this document and paragraphs 12(c), and 12(e) to 12(f) above, there are no related party transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period commencing on 4 March 2014 (being the date on which the Company was incorporated) to 28 July 2014 (being the latest practicable date prior to the date of this document) and terminating immediately prior to the date of this document. Each of the transactions was concluded at arm's length.

14 Working capital

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing, the working capital of the Group will be sufficient for its present requirements, that is, for at least the period of 12 months from the date of Admission.

15 Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as

the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

16 Property, plants and equipment

No member of the Group has any existing or planned material tangible fixed assets, including leased properties, or any major encumbrances thereon.

General

- 16.1 There has been no significant change in the financial or trading position of the Group since 31 December 2013, being the date to which the last audited accounts of FairFX (UK) Limited were prepared.
- 16.2 The estimated costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 8 above) payable by the Company are estimated to amount to approximately £0.8 million (excluding VAT). The total net proceeds of the Placing, after settling fees, will be £1.7 million.
- 16.3 The Company's net proceeds from the Placing are expected to be approximately £ which will be applied as follows:
- approximately £1.2 million to invest in a marketing programme; and
 - approximately £0.5 million to invest in R&D, provide additional working capital for the Group to support its continued geographic expansion through a combination of organic growth, joint ventures and licensing agreements.
- 16.4 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 434 of the Companies Act. As the Company was incorporated on 4 March 2014 it has not yet published audited accounts. However, Gerald Edelman, chartered accountants and statutory auditors whose registered office address is at 25 Harley Street, London W1G 9BR, have been the auditors of the Company's wholly-owned subsidiary, FairFX (UK) Limited for the three financial years ended 31 December 2013 and have given unqualified audit reports on the statutory accounts of FairFX (UK) Limited for those financial years within the meaning of section 495 of the Companies Act. None of those reports contained any statements under section 498(2) or (3) of the Companies Act. Statutory accounts of FairFX (UK) Limited for each of the three financial years ended 31 December 2013 have been delivered to the Registrar of Companies in England and Wales pursuant to section 441 of the Companies Act.
- 16.5 KPMG LLP, chartered accountants, have given and not withdrawn the written consent to the inclusion in this document of the report in Part III and the references to their report and to their name in the form and in the context in which it is included. KPMG LLP have no material interest in the Company.
- 16.6 To the extent that information in this document has been sourced from third parties, such information has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by the relevant third party, no facts have been omitted which render the reproduced information inaccurate or misleading.
- 16.7 Cenkos Securities plc is registered in England and Wales under number 05210733 and its registered office is at 6, 7, 8 Token House Yard, London EC2R 7AS. Cenkos Securities plc is regulated by the Financial Conduct Authority and is acting in the capacity as nominated adviser and broker to the Company.
- 16.8 Cenkos Securities plc has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 16.9 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 16.10 There are no environmental issues that may affect the Company's utilisation of the tangible fixed assets.

16.11 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
- (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

Dated 1 August 2014

