RNS Number : 2854V
FAIRFX Group PLC
15 April 2016

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FairFX Group plc

("FairFX" or "the Group" or "the Company")

Audited Results for the year ended 31 December 2015

Marketing and technology investment delivering higher customer conversion rates and card spend

FairFX, the low cost multi-currency payments service, is pleased to announce its audited full year results for the year ended 31 December 2015.

2015 Financial Highlights:

- Turnover up 31.9% to £626.8 million
- Revenue up 35.7% to £7.4 million
- Gross profit up 31.8% to £5.0 million
- Money transfer and deliverable FX execution products turnover up 40% to £299.2 million
- Currency card revenue up 37.5% £241.0 million
- Pre-tax loss of £3.4 million in line with forecast
- Marketing spend of £3.2 million and Options charge of £0.4 million

2015 Operational Highlights:

- 103,338 new retail customers added to the business, bringing 2015 total to 508,048
- 75,039 retail card customers added in period, up 56% from FY 2014
- Delivered new mobile-responsive website increasing conversion
- Launched new Apps across all platforms
- Launched 'FairFX Business' with dedicated website to increase Corporate presence
- Title sponsorship for the Sky Sports F1 programming season significantly raised brand awareness among key customer audience
- Continued strategic investment in technology development to maintain pace of expansion via new products

Q1 2016 Highlights:

- Q1 activity in line with full-year forecast
- Underlying growth of 3% in revenue for the period at £145.5 million (Q1 2015: £141.7 million after deducting non-recurring items)
- Revenue growth of 15% in core business of cards and single pay only
- Single pay revenue up 10.8% to £83.6 million
- Corporate platform revenue up 55.8% to £13.3 million
- Retail card spending up by 25% on a like-for-like basis versus Q1 2015
- 16,280 new customers added
- 11,774 currency cards sold
- Strong momentum in activity towards end of Quarter, continuing into April
- Completed £5.25 million equity raise (before expenses)

Ian Strafford-Taylor, Chief Executive Officer, stated:

"The Company had a strong 2015 and delivered excellent revenue improvements by following our strategic focus on the increasing retail card customers. Maintaining our strategy of investment in marketing and technology has yielded discernable improvements in customer conversion rates and increased customer spending. Since raising significant funds in Q1 2016, the Group is now in a strong position to push forward with its focus on the corporate card market, whilst maintaining its level of activity in acquiring new retail customers.

"Despite a somewhat weaker macro environment during Q1, our underlying customer base is performing strongly. Spending on retail cards is up 25% on Q1 2015 with top-ups of existing cards also showing growth. In addition, overall customer activity has picked up in recent weeks and we have some exciting deployments of new technology scheduled before our peak summer season. Accordingly, we are confident the Group remains in line with market expectations for the full year."

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Charles Goodwin	
Aidan Stanley	

Chairman's Statement

We are pleased to present the full year results of FairFX GROUP PLC for the year ended 31 December 2015. This has been another successful year for the Group following its listing on AIM in 2014. We have been very pleased with our performance and indeed with the results we have seen throughout the year.

At the beginning of the year, we clearly stated our strategy of focusing on the Retail card space and performing a customer land-grab through the deployment of marketing resources allied to targeted, consumer-led technical innovation. Our results prove the success of our approach as the number of new Retail cards sold has accelerated strongly compared to 2014. At the same time our conversion percentages have improved across all devices in terms of digital visitors becoming FairFX customers.

The emphasis since 2013 has been on exploiting our digital early-mover advantage and expanding marketing activity in order to increase awareness of FairFX's value and service among customers of traditional higher-cost providers such as the Banks, Post Office and Bureaux de Change at airports. We see a significant opportunity to become a leading category brand and for that reason we have invested heavily in marketing and building brand awareness. Given the success of our strategy to date we will continue to invest in targeted and measured marketing over the next few years to further accelerate customer acquisition.

Smart, segmented cross-selling opportunities exist throughout the Group's offerings and are key to FairFX's growth strategy. To date we have focused on growing numbers of consumers in the multi-payments space using the currency card and physical travel money products. The Group is building on existing relationships with multi-pay customers with the aim of offering them the convenience of our higher value, single-payment products. Our technological developments are aligned to this strategy to reduce the friction of moving from one FairFX product to another.

The Group has developed solid foundations over recent years as a base for future growth and we continue to invest, in a targeted fashion, in people and systems development. Innovation and delivery of new system solutions is key to our future success and it is important we continue to develop new capabilities to retain our competitive advantage. We therefore invested significantly in R&D and innovation to enhance all of our products and services in 2015 as well as introducing "agile" methodology to improve efficiency of project management and deployment of new technology. FairFX is highly focused upon the ease of use of its systems and products and is targeted towards mobile functionality operating across all platforms and devices. To this end, during 2015, for Retail customers we significantly improved the mobile-responsiveness of our website and developed a much improved mobile App. In the Corporate space, we have invested further in developing our Corporate card platform and started developing a mobile app for Corporate card users with the goal of enhancing the card user experience an improving efficiency. The first phase of development was released in January 2016 and was very well received by customers.

After receiving its EEA-wide licence in 2014, the Group has been working towards being able to offer its products in foreign locations. The pilot for this is FairFX Ireland, which was developed in 2015 and soft-launched in 2016 and provides the template for further roll-outs. In turn this will then reinforce the P2P credentials of the business.

FairFX also launched an App for the new Apple Watch in 2015 to adapt to our customers' changing technological needs and we are exploring geo-location services and mobile wallets to enhance users' experience of its iOS and Android apps.

The Directors are confident that FairFX is extremely well placed to continue its expansion with a robust business based on excellent products and scalability.

John Pearson
Non-executive Chairman
14 April 2016

Chief Executive's Statement

We are very pleased to report that as a result of the funds raised since our IPO in August 2014, the Group has had successful and strong year of growth in 2015 with turnover up 31.9% to £626.8 million (2014: £475.3 million). We added 103,338 new Retail customers to the business during 2015, a 19.6% increase on 2014, bringing the total to 508,048 by the year end (2014: 404,710). Within that total, the strategy of focusing on our core card product was extremely successful with 75,039 new card customers which represented a 56% increase on prior year of 48,071.

The Group continued its stated growth strategy and increased its marketing expenditure to £3.2 million compared to £1.8 million for 2014. The increase reflects marketing investment in both direct call-to-action TV advertising combined with sponsorship of the Sky Sports F1 channel, which raised brand awareness amongst our target audience by more than 70% (source: YouGov).

We also committed funds to accelerate the development of a mobile-responsive website to further improve conversion of customers. To expedite the process and to improve efficiency going forward, we implemented an "agile" IT project management methodology in 2015 which has transformed our productivity in technological deployment providing a strong pipeline of deployments planned for 2016.

The mobile responsive website went live at the end of May 2015 in line with the TV advert airing in June 2015. The combination of increased awareness through the Sky F1 sponsorship and the TV advert, together with our improved website, drove a 41% increase in website visits and a 50% higher conversion rate online and an 88% increase when accessing our website via mobile devices.

The launch of an enhanced mobile app in June 2015, followed by regular updates throughout the year, also helped drive turnover through the cards as it allows customers to access their card accounts and top up on the go.

In September 2015 we launched a sub-brand for corporates called "FairFX Business" together with a dedicated business section on our website. These steps increased awareness of the FairFX range of business solutions as well as providing a forum where both existing and prospective corporate customers can get more information about FairFX products. We saw an increase of 35% in business product enquiries within 6 months, which helped drive a 40% uplift in turnover on the Corporate card platform in 2015. The site also opened opportunities to cross-sell existing retail prepaid card customers onto our business products.

The single-pay products, namely FairPay and deliverable FX execution (dealing), performed strongly in 2015 posting turnover growth of 40% to £299.2 million (2014: £213.7 million). With the further strengthening of our sales and dealing teams, we expect to continue our expansion in 2016 and this has been borne out in the first quarter. Multi-pay turnover, being prepaid cards and travel cash, also achieved robust growth, increasing by 25% to £327.6 million (2014: £261.7 million). However, within the multi-pay product group the growth was much stronger in the higher margin prepaid card product versus the travel-cash product. This shows the success of our stated strategy for the year of focusing on the prepaid card and demonstrates the effectiveness of the various marketing and IT initiatives listed above. Within the multi-pay category, Retail Prepaid card turnover grew by 39% to £200.4 million (2014: £143.9 million) and Corporate card turnover by 40% to £40.6 million (2014: £29.1 million)

Gross profit for 2015 was £5.0 million (2014: £3.8 million), which comprised of margin on currency transactions of £7.4 million (2014: £5.5 million) less transaction costs of £0.4 million (2014: £0.3 million) and other direct costs including all costs associated with fulfilling the prepaid cards of £2.0 million (2014: £1.4 million).

In line with expectations, the Group made a loss for the year of £3.4 million (2014: loss £2.8 million). The Group continued to make necessary investment in its operations and technology for future growth and boosted its marketing to increase the customer base and raise the brand profile. Specifically, the reported loss was due to an increase in marketing spend to £3.2 million (2014: £1.8 million), an increase in headcount cost with average employee numbers rising to 65 (2014: 53), and the charge for share options granted to incentivise management and staff of £0.4 million (2014: £0.3 million).

The Group has also continued to strengthen and refine its compliance procedures and as a validation of this we are delighted to announce that we were granted additional permissions by the FCA under the Authorised Payment Institution regulations in February 2015. The granting of these permissions allows FairFX to offer its customers improved protection of their funds in comparison with many of our competitors. The Group will continue to further enhance compliance processes as we continue the lengthy process of application for an eMoney licence, which we hope to complete in 2016.

People

We continued to selectively invest in talent in 2015 with an average headcount of 65 (2014: 53). However, we feel that the business has now reached a level where operational gearing will kick in and large-scale increases in headcount are not needed as the Group expands.

There have been no changes to the Board of Directors in 2015. The Board remains committed to the success of the Group, ensuring it is conducted in accordance with the highest levels of corporate governance. We look forward to reporting on the Group's continued growth and development.

Strategy

On the Retail side of the business, FairFX will continue to focus on growth via the combination of marketing and technological development and sees further opportunities for rapid expansion in this marketplace, both in the UK and beyond.

In addition, we are taking our experience in growing the Retail card business and applying it to our Corporate card platform. At over £30 billion (Source: Concur), the market size for UK Corporate Expenses is a comparable to the UK travel money market of £35 billion (Source: Mintel) and hence represents a great opportunity for FairFX. Our Corporate card expense solution is a unique platform and enables us to use disruptive technology to compete head-on with the charge-card offerings which currently predominate. We will use a similar model for growth as for the retail product but enhanced for the different challenges of acquiring corporate customers. As this is a growing market space and we are in a position to offer a unique product solution, we are extremely excited by the potential for this market and our product capabilities within it.

Accordingly, in the core UK market for FairFX, 2016 will see a continuation of the strategy for growth on the Retail side of the business but with increased priority given to simultaneous expansion of the corporate sector.

More specifically, growth on the retail side will be pursued using a two-pronged strategy. First, we intend to continue the strong trend of acquiring new customers, and second, we intend to maximise the revenue generation from the existing customer base. We intend to acquire new customers by continuing targeted marketing combined with consumer-driven technological development and we have a range of exciting deployments planned ahead of the peak summer period. This combination is expected to drive greater traffic to the site and more efficiently convert that traffic into customers and transactions. For existing customers, FairFX already benefits from strong customer loyalty and high levels of reuse and repurchase. We intend to further increase activity by using technology to improve mobile usability and functionality and also make it easier to move from one FairFX product to another. We expect this will ultimately create a FairFX payment ecosystem.

On the Corporate side, FairFX intends to grow the usage of its platform by increasing its inside-sales efforts contacting corporates directly allied to targeted marketing, lead sourcing and technical innovation. We have a pipeline of development planned for the Corporate expenses management platform in 2016 including a full-service App that yields a significant increase in usability, and therefore aides the sales process.

Quarter 1 2016 Update

The results for the first quarter 2016 are encouraging and underpin our expectations for the full year. Against this backdrop, the Group envisages turnover and revenue patterns month-to-month to be different this year due to certain macro events. Since the start of 2016, customer trends within the travel industry in the UK have changed in terms of timing of decisions due to two major factors. The first is that Pound Sterling has been weaker versus both the Euro and US Dollar in sharp contrast to the same period in 2015, when customers were taking advantage of a much stronger Pound to purchase other currencies. The second is that in recent months there have been various geopolitical events affecting travel decisions and causing travellers to review their destination choices and delay booking until nearer their travel dates. Recent evidence for this was publicised by Thomas Cook on 22nd March 2016. It stated that it continued to see a "volatile market environment with customers shunning potential trouble spots and taking longer to make up their minds". We see this combination of factors causing customers to delay loading their cards as they decide on their holiday destination and hope for a rebound in the value of the Pound. As a consequence, this year we expect to acquire a greater proportion of new customers, with the commensurate purchasing of currency cards, closer to their travel dates.

Despite the changes in timing of customer behaviour, turnover is broadly in line with last year at £145.5 million (2015: £152.2 million) and showing 3% growth when two exceptional dealing transactions in 2015 are removed. Overall net percentage margin is expected to be higher than 2015 because of a better mix of business with the out-performance of the card product versus cash. Single pay turnover, which is not so dependent on travel activity but is influenced by the strength of Sterling, is up 8.5% at £83.6 million (2015: £77.0 million). In keeping with the behavioural effects described, retail multi-pay product turnover is down 27.1% at £48.6 million (2015: £66.7 million). However, this masks the out-performance on the core focus of the Retail card product compared to the lower-margin cash product, with Retail card turnover only lagging 2015 by 9.2% for the quarter and gaining strong momentum in March. In addition, spending on Retail cards by current customers is up by 25% on a like-for-like basis and top-ups of existing cards are also up which shows the existing client base is performing well and emphasises the "stickiness" of the client base. We take great encouragement from this and believe this demonstrates that potential new customers are delaying their decisions for the reasons outlined above and hence we expect further customer acquisition in the coming months.

For the Corporate card space, our renewed focus on this product is producing excellent results with card turnover up 56.5% over prior year to £13.3 million (Q1 2015: £8.5 million) and with exciting new functionality and usability improvements planned for 2016 we anticipate this growth to continue.

In addition, general activity in the last week of March (new customers, cards sold and turnover) was our strongest so far in 2016 and mirrored levels last seen in the summer of 2015 and this activity has continued into April. We take this as further evidence that consumers have been delaying their decisions but are now choosing to transact as their trips become imminent. Accordingly, we reiterate that the Company is confident that it remains on course for its forecast growth in 2016. Customer numbers continue to expand rapidly with 16,280 new customers added in the first quarter, bringing the total to 524,328. Within the new retail customer numbers, the strategic focus on acquiring card customers rather than those for the lower margin cash product can be seen given that 11,781 cards were sold in the first quarter, with a discernable increase in momentum as the quarter progressed. The current expansion of the business will be further supported by the planned integrated marketing campaigns across the key holiday travel periods in 2016. The Group also sees the delaying of travel decisions playing into the hands of its marketing strategy because we can target customers more efficiently in concentrated bursts around our planned marketing campaigns in June and July. The key focus of our media spend will continue to be on above-the-line marketing campaigns, including TV advertising, combined with targeted digital presence and multiple deployments of consumer-driven new technology. We expect this combination to improve the performance of the marketing investment in terms of acquiring new customers, whilst maximising revenues from the existing client base.

The first quarter of 2016 was also notable for the completion of a significant fundraising for the Company and a strategic investment by Crystal Amber Fund Limited ("CA"). Overall, the company raised £5.25 million, with £5 million coming from CA, which meant the Company received £5.09 million net of transaction fees. These funds will be deployed in a controlled fashion by the Company to accelerate the key initiatives outlined above. Namely, selected boosting of marketing combined with more rapid deployment of new technology both for retail and corporate customers. The Company is also improving its data capabilities and stitching together better digital analysis with our customer data to better target new customers and optimize performance with the existing client base.

Outlook
Based on the performance and further progress made in Q1 2016, the Group remains in line with market expectations for the full year. We look forward to delivering further growth in the coming year and continuing to grow the business for our stakeholders.

Ian Strafford-Taylor
Chief Executive Officer
14 April 2016

FairFX GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
Gross value of currency transactions sold	4	626,827,807	475,345,811
Gross value of currency transactions purchased		(619,387,847)	(469,864,995)
Revenue on currency transactions	4	7,439,960	5,480,816
Direct costs		(2,412,073)	(1,666,109)
Gross profit		5,027,887	3,814,707
Administrative expenses		(8,423,285)	(5,966,697)
AIM Listing expenses		-	(678,056)
Loss before tax and from operations	5	(3,395,398)	(2,830,046)
Tax expense	8	-	-
Loss for the year		**(3,395,398)**	**(2,830,046)**
Loss per share			
Basic	9	(4.76p)	(4.41p)
Diluted	9	(4.76p)	(4.41p)

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

The notes form an integral part of these financial statements.

FairFX GROUP PLC

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	£	£	£	£
ASSETS					
Non-current assets					
Property, plant and	10	80,754	112,759	-	-

equipment					
Investments	11	-	-	1,260,857	884,969
		80,754	112,759	1,260,857	884,969
Current assets					
Inventories	12	95,094	161,149	-	-
Trade and other receivables	13	1,965,003	1,637,178	4,624,571	2,943,621
Derivative financial assets	18	115,711	47,141	-	-
Cash and cash equivalents	14	3,615,056	4,085,137	-	-
		5,790,864	5,930,605	4,624,571	2,943,621
TOTAL ASSETS		**5,871,618**	**6,043,364**	**5,885,428**	**3,828,590**
EQUITY AND LIABILITIES					
Equity attributable to Equity holders					
Share capital	15	768,660	704,758	768,660	704,758
Share premium		5,313,780	3,522,752	5,313,780	3,522,752
Share based payment reserve		667,421	279,136	667,421	279,136
Merger reserve		5,416,083	5,416,083	-	-
Retained deficit		(11,457,492)	(8,062,094)	(883,933)	(699,056)
Total equity		708,452	1,860,635	5,865,928	3,807,590
Current Liabilities					
Borrowings	16	-	334,882	-	-
Trade and other payables	17	4,463,925	3,847,847	19,500	21,000
Derivative financial liabilities	18	699,241	-	-	-
		5,163,166	4,182,729	19,500	21,000
TOTAL EQUITY AND LIABILITIES		**5,871,618**	**6,043,364**	**5,885,428**	**3,828,590**

The notes form an integral part of these financial statements.

FairFX GROUP PLC

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Group	**Share capital**	**Share premium**	**Share based payment**	**Retained deficit**	**Merger reserve**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
At 1 January 2014	614,743	-	-	(5,232,048)	5,416,083	798,778
Loss for the year	-	-	-	(2,830,046)	-	(2,830,046)
Shares issued in year	90,015	3,522,752	-	-	-	3,612,767
Share based payment charge (Note 20)	-	-	279,136	-	-	279,136
At 31 December 2014	704,758	3,522,752	279,136	(8,062,094)	5,416,083	1,860,635
Loss for the year	-	-	-	(3,395,398)	-	(3,395,398)
Shares issued in year	63,902	1,791,028	-	-	-	1,854,930
Share based payment charge (Note 20)	-	-	388,285	-	-	388,285
At 31 December 2015	**768,660**	**5,313,780**	**667,421**	**(11,457,492)**	**5,416,083**	**708,452**

Company	**Share capital**	**Share premium**	**Share based payment**	**Retained deficit**	**Merger reserve**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
At 1 January 2014	-	-	-		-	-
Loss for the year	-	-	-	(699,056)	-	(699,056)
Shares issued in period	704,758	3,522,752	-	-	-	4,227,510
Share based payment charge (Note 20)	-	-	279,136	-	-	279,136
At 31 December 2014	704,758	3,522,752	279,136	(699,056)	-	3,807,590
Loss for the period	-	-	-	(184,877)	-	(184,877)
Shares issued in period	63,902	1,791,028	-	-	-	1,854,930
Share based payment charge (Note 20)	-	-	388,285	-	-	388,285
At 31 December 2015	**768,660**	**5,313,780**	**667,421**	**(883,933)**	**-**	**5,865,928**

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

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for shares in excess of nominal value less costs directly attributable to the Initial Public Offer of the company's shares.
Share based	Fair value of share options granted to both directors and employees.

payment	
Retained deficit	Cumulative profit and losses are attributable to equity shareholders.
Merger reserve	Arising on reverse acquisition from group reorganisation.

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

FairFX GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
Loss for the year		(3,395,398)	(2,830,046)
Cash flows from operating activities			
Adjustments for:			
Depreciation		55,165	55,537
Share based payment charge		388,285	279,136
(Increase)/decrease in trade and other receivables		(327,825)	30,191
(Increase) in derivative financial assets		(68,570)	(47,141)
(Decrease) in borrowings		(334,882)	(111,628)
Increase in trade and other payables		616,078	1,309,045
Increase in derivative financial liabilities		699,241	-
Decrease/(Increase) in inventories		66,055	(84,868)
Net cash flow used by operating activities		(2,301,851)	(1,399,774)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(23,160)	(134,144)
Net cash used in investing activities		(23,160)	(134,144)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		1,980,971	4,161,104
Costs directly attributable to share issuance		(126,041)	(548,337)
Net cash from financing activities		1,854,930	3,612,767
Net (decrease)/increase in cash and cash equivalents		(470,081)	2,078,849
Cash and cash equivalents at the beginning of the year		4,085,137	2,006,288
Cash and cash equivalents at end of the year	**14**	**3,615,056**	**4,085,137**

The notes form an integral part of these financial statements.

FairFX GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. General information

FAIRFX Group Plc (the "company") is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The group's principal activity is that of selling of foreign currency via technology platforms offered on the internet.

The company and group's consolidated financial statements for the year ended 31 December 2015 were authorised for issue on 14 April 2016 and the consolidated and company statement of financial position signed by I A I Strafford - Taylor on behalf of the board.

2. New standards, amendments and interpretations to published standards

The Group applied all applicable IFRS standards and all applicable interpretations published by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) for the year ended 31 December 2015.

Adoption of new and revised accounting standards and interpretations:

- IAS 19 Defined Benefit Plans: Employee Contributions (Amendment). Clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

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

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

	Effective Dates *
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Accounting for acquisitions of interests in Joint Operations (Amendment)	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments)	1 January 2016

IAS 27 Equity Method in Separate Financial Statements (Amendments)	1 January 2016
IAS 1 Disclosure Initiative (Amendments)	1 January 2016
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment In Associates and Joint Ventures	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 16 Leases	1 January 2019

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

3. Basis of presentation and significant accounting policies

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

The financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments which are measured at fair value through profit or loss.

3.1 Basis of presentation

These financial statements are prepared in accordance with AIM Regulations, 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' best knowledge and past experience and are explained further in note 3.21.

The Group has changed its accounting treatment of Derivative financial assets and liabilities in the year ended 31 December 2015. Derivate financial assets and liabilities are recorded at fair value through the profit or loss and offset in the Statement of Financial Position (see notes 3.8 and 3.9). For consistency, the prior year comparative balances have been restated in the Statement of Financial Position. This restatement did not result in any impact on the prior year loss.

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 Basis of consolidation

On 5th August 2014, FAIRFX Group Plc listed its shares on AIM, a market operated by the London Stock Exchange. In preparation for the Initial Public Offering ("IPO") the group was restructured. The restructure impacted a number of current year and comparative primary financial statements and notes. The effect of this reorganisation was to insert one new company into the group, a new holding company, FAIRFX Group Plc. The impact of the shares subscribed from the IPO are included within the results for the year ended 31 December 2015 and are disclosed fully in note 15.

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

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

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

3.3 Foreign currency

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

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

3.4 Inventories

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

3.5 Trade and other receivables

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

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

Other receivables are recognised at fair value.

3.6 Cash and cash equivalents

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

3.7 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.

3.8 Derivative financial assets and liabilities

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

3.9 Offsetting of financial instruments

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

3.10 Provisions

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

3.11 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.

3.12 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.

3.13 Investments in subsidiaries

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

3.14 Income recognition

Revenue is recognised when a binding contract is entered into by a client and the margin is fixed and determined. The margin is the difference between the rate offered to clients and the rate the Company receives from its liquidity providers.

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. As each trade is booked back to back with a liquidity provider the margin is accounted for once the binding contract is formed.

3.15 Research and development

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

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

3.16 Interest expense recognition

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

3.17 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.

3.18 Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

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

Plant and equipment	33%
Fixtures and fittings	20%
Leasehold improvements	10%

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

3.19 Share-based payments

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution on the computation of earnings per share.

Where the company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised.

3.20 Leased assets

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

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

3.21 Critical judgements and estimations

Judgements

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

(i) Share based payments

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

(ii) Measurement of fair values

The Group's accounting policies and disclosures require measurement of fair values with regard to Derivative financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

4. Revenue and segmental analysis

Segment results are reported to the Board of Directors (being the chief operating decision maker) to assess both performance and strategic decisions. The Board of Directors reviews financial information on revenue the following segments: Currency cards, FairPay, Dealing and Central (which includes overheads and corporate costs). The revenue is wholly derived from within the UK.

2015	Currency Cards	FairPay	Dealing	Central	Total
	£	£	£	£	£
Segment revenue	4,446,460	828,044	2,127,682	37,774	7,439,960
Direct costs	-	-	-	(2,412,073)	(2,412,073)
Administrative expenses	-	-	-	(8,423,285)	(8,423,285)
AIM listing expenses	-	-	-	-	-
Loss before tax and from operations	4,446,460	828,044	2,127,682	(10,797,584)	(3,395,398)
Total assets	-	-	-	5,871,618	5,871,618
Total liabilities	-	-	-	(5,163,166)	(5,163,166)
Total net assets	-	-	-	708,452	708,452

2014	Currency Cards	FairPay	Dealing	Central	Total
	£	£	£	£	£
Segment revenue	3,057,454	695,330	1,364,603	363,429	5,480,816
Direct costs	-	-	-	(1,666,109)	(1,666,109)
Administrative expenses	-	-	-	(5,966,697)	(5,966,697)
AIM listing expenses	-	-	-	(678,056)	(678,056)
Loss before tax and from operations	3,057,454	695,330	1,364,603	(7,947,433)	(2,830,046)
Total assets	-	-	-	6,043,364	6,043,364
Total liabilities	-	-	-	(4,182,729)	(4,182,729)
Total net assets	-	-	-	1,860,635	1,860,635

5. Loss before tax

Loss before tax is stated after charging the following:-

	2015	2014
	£	£
Operating lease - property	258,790	135,486
Depreciation of plant and equipment and fixtures and fittings	55,165	55,537
Net foreign currency differences	151,822	41,490
Research & development costs	714,847	514,976

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

	2015	2014
	£	£
Audit fees:-		
Fees payable for the audit of the annual report and financial statements	21,000	21,000
Fees payable for the audit of subsidiaries	24,000	34,000
Total audit fees	45,000	55,000
Other services:-		
Taxation services	-	1,000
Corporate finance services	-	140,000
Other assurance services	-	15,000
Total non-audit fees	-	156,000
Total Fees	45,000	211,000

The above audit fee is payable solely to the Group's current auditor, KPMG LLP. These amounts are shown exclusive of VAT.

6. Staff costs

Number of employees

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

	2015	2014
	Number	Number
Administrative staff	65	53

Employee costs

	2015	2014
	£	£
Wages and salaries	3,101,177	2,349,651
Social security costs	351,254	265,221
	3,452,431	2,614,872

There were no pension payments in respect of either year. Further information regarding share options is given in note 20.

7. Directors' remuneration

	2015	2014
	£	£
Emoluments	366,621	441,040

The total amount payable to the highest paid director in respect of emoluments was £227,500 (2014: £392,500)

The total amount payable to all Directors in the consolidated Group was £468,288 (2014: £532,540). Prior year numbers have been restated to exclude £69,544 of employers national insurance erroneously included.

There were no pension payments in respect of either year. Further information regarding share options is given in note 20.

8
Taxation

	2015	2014
	£	£
Current year tax expenses	-	-
	-	-

Factors affecting tax charge for the period
The charge for the year can be reconciled to the (loss) per the consolidated statement of comprehensive income as follows:

	2015	2014
	£	£
Loss before taxation: Continuing operations	(3,395,398)	(2,830,046)
Taxation at the UK corporation rate tax of 20% (2014: 21%)	(687,568)	(594,310)
Capital allowances in arrears /(advance) of depreciation	6,626	(8,999)
Share based payments	78,628	58,619
Net impact of R&D tax credit claim	92,349	25,489
Expenses not deductible for tax purposes	9,882	8,700
Tax losses utilised	-	-
Tax losses for which no deferred tax asset utilised	500,083	510,501
Total tax for the year	-	-

The group has estimated losses of £8,612,311 (2014: £7,315,029) available for carry forward against future trading profits. The company and group have incurred losses in the current year. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset will be taken at such point recovery is reasonably certain, when the group returns to profitability. The Group has an unrecognised deferred tax asset of £1,722,462 (2014: £1,536,156) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

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

9. Loss per share

Basic loss per share
The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The loss after tax attributable to ordinary shareholders is £3,395,398 (2014: £2,830,046 loss) and the weighted average number of shares in issue for the period is 71,316,169 (2014: 64,128,356).

Diluted loss per share
The calculation of diluted earnings per share has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The loss after tax attributable to ordinary shareholders is £3,395,168 (2014: £2,830,046 loss) and the weighted average number of shares is 71,316,169 (2014: 64,128,356).

10. Property, plant and equipment

Group	Plant and machinery	Fixtures and fittings	Leasehold improve-ments	Total
	£	£	£	£
Cost				
At 1 January 2015	216,796	11,588	38,935	267,319
Additions	19,400	3,044	716	23,160
At 31 December 2015	236,196	14,632	39,651	290,479
Depreciation				
At 1 January 2015	143,045	7,621	3,894	154,560
Charge for the year	49,391	1,809	3,965	55,165
At 31 December 2015	192,436	9,430	7,859	209,725
Net book value				
At 31 December 2015	43,760	5,202	31,792	80,754

At 31 December 2014	73,751	3,967	35,041	112,759

11. Investments

Company - Shares in subsidiary undertakings	**2015**	**2014**
	£	**£**
Cost	884,969	-
Additions	375,888	884,969
At 31 December 2015	1,260,857	884,969
Provisions for diminution in value		
At 31 December	-	-
Net Book Value		
At 31 December	1,260,857	884,969

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

Holdings of more than 20%
The company holds the share capital (both directly and indirectly) of the following companies:

Subsidiary Undertaking	**Country of registration or incorporation**	**Shares Held Class**	**%**	
FAIRFX (UK) Limited	England and Wales	Ordinary	100	Trading
FAIRFX Plc *	England and Wales	Ordinary	100	Trading
FAIRFX Corporate Limited *	England and Wales	Ordinary	100	Dormant
FAIRFX Wholesale Limited *	England and Wales	Ordinary	100	Dormant
FAIRFS Limited *	England and Wales	Ordinary	100	Dormant
FAIR Foreign Exchange Ireland Limited *	Ireland	Ordinary	100	Dormant

* Share capital held indirectly

12. Inventories

Group	**2015**	**2014**
	£	**£**
Finished goods	95,094	161,149

The group's inventories comprise stock of cards.

13. Trade and other receivables

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
	£	**£**	**£**	**£**
Trade receivables	1,046,473	1,013,080	-	-
Amounts due from group undertakings	-	-	4,624,571	2,943,621
Other receivables	811,977	460,492	-	-
Prepayments and accrued income	106,553	163,606	-	-
	1,965,003	1,637,178	4,624,571	2,943,621

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

14. Cash and cash equivalents

Group	**2015**	**2014**
	£	**£**
Cash at bank	3,615,056	4,085,137

Included in cash and cash equivalents at 31 December 2015 was £2,877,514 of customer trading funds (2014: £2,054,109).

All the cash is held in the name of the trading company FAIRFX Plc.

15. Share capital

Group and Company	2015	2014
	£	£
Authorised, issued and fully paid up capital		
76,866,039 ordinary shares of £0.01 each	768,660	704,758

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

During the year, the company made the following share issue:

Date of Issue	No Shares Issued	Price per share	Gross value of shares issued	Nominal Value of shares issued	Costs of share issues	Share Premium
13 November 2015	6,390,229	£0.31	£1,980,971	£0.01	£126,041	£1,791,028

In accordance with IAS 32 *Financial Instruments: Presentation*, costs incurred which are directly applicable to the raising of finance, are offset against the share premium created upon the share issue.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16. Borrowings

Group	2015	2014
	£	£
Shareholder loan	-	334,882
	-	334,882

Details of Shareholder loans are included in Note 22 below.

17. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade payables	3,950,139	3,232,827	-	-
Taxation and social security	115,918	88,165	-	-
Accruals and deferred income	397,868	526,855	19,500	21,000
	4,463,925	3,847,847	19,500	21,000

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Current	4,463,925	3,847,847	19,500	21,000

18. Derivative financial assets and financial liabilities

18.1 Derivative financial assets and liabilities

Financial assets at fair value through profit or loss

	Fair Value 2015	Notional Principal 2015	Fair Value 2014	Notional Principal 2014
	£	£	£	£
Foreign exchange forward contracts	115,711	10,882,130	47,141	6,261,923
Total financial instruments at fair value	115,711	10,882,130	47,141	6,261,923

18.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

	Fair Value 2015	Notional Principal 2015	Fair Value 2014	Notional Principal 2014
	£	£	£	£
Foreign exchange forward contracts	699,241	11,385,381	-	6,214,782
Total financial instruments at fair value	699,241	11,385,381	-	6,214,782

19. Financial instruments

The Group's financial instruments comprise cash and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group. 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.

19.1 Principal financial instruments

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

	2015	2014
	£	£
Financial instruments held at amortised cost		
Cash and cash equivalents	3,615,056	4,085,137
Borrowings	-	(334,882)
Trade and other payables	(4,463,925)	(3,847,847)
Trade and other receivables	1,965,003	1,637,178

	2015	2014
	£	£
Financial instruments held at fair value through profit or loss		
Derivative financial assets - Forward foreign exchange contracts	115,711	47,141
Derivative financial liabilities - Forward foreign exchange contracts	(699,241)	-

Trade and other payables generally have short time to maturity.

Forward foreign exchange contracts fall into level 2 of the fair value hierarchy as set out in note 3.21(ii) since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).

19.2 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 daily to ensure that the risk of exposure to bad debts is minimised and margined accordingly. The Group's risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group had no significant concentrations of risk with customers and counterparties at 31 December 2015.

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

The 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.

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

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

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

2015	Current and not impaired	Less than 3 months overdue	4 to 6 months overdue	Over 6 months overdue	Individually impaired	Total
	£	£	£	£	£	£
Trade and other receivables	1,965,003	-	-	-	-	1,965,003
Derivative financial assets	115,711	-	-	-	-	115,711

2014	Current and not impaired	Less than 3 months overdue	4 to 6 months overdue	Over 6 months overdue	Individually impaired	Total
	£	£	£	£	£	£
Trade and other receivables	1,637,178	-	-	-	-	1,637,178
Derivative financial assets	47,141	-	-	-	-	47,141

Liquidity risk

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

The daily settlement flows in respect of financial asset and liability, spot and swap contracts require adequate liquidity which is provided through intra-day settlement facilities.

Further details of the risk management objectives and policies are disclosed in the Principal risks and uncertainties section of the Strategic report.

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

2015	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total

	£	£	£	£	£
Borrowings	-	-	-	-	-
Trade and other payables	4,463,925	-	-	-	4,463,925
Derivative financial liabilities	230,564	245,436	223,241	-	699,241

2014	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
		£		£	£
Borrowings	-	-	-	334,882	334,882
Trade and other payables	3,847,847	-	-	-	3,847,847
Derivative financial liabilities	-	-	-	-	-

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. Due to the current low levels of borrowings, the Group is not materially affected by changes in interest rates.

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

As at 31 December 2015, the Group is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held.

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

31 December 2015	Loans and receivables	Other financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	3,615,056	-	3,615,056
Trade and other receivables	1,965,003	-	1,965,003
	5,580,059	**-**	**5,580,059**
Financial liabilities not measured at fair value			
Borrowings	-	-	-
Trade and other payables	-	(4,463,925)	(4,463,925)
	-	**(4,463,925)**	**(4,463,925)**

31 December 2014	Loans and receivables	Other Financial Liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	4,085,137	-	4,085,137
Trade and other receivables	1,637,178	-	1,637,178
	5,722,315	**-**	**5,722,315**
Financial liabilities not measured at fair value			
Borrowings	-	(334,882)	(334,882)
Trade and other payables	-	(3,847,847)	(3,847,847)
	-	**(4,182,729)**	**(4,182,729)**

All financial instruments are classified as level 1 financial instruments in the fair value hierarchy, with the exception of Derivative financial assets and liabilities and Borrowings which are level 2 financial instruments.

Capital management policy and procedures
The Group's capital management objectives are:
- to ensure that the group and company will be able to continue as a going concern; and
- to maximise the income and capital return to the company's shareholders.

The parent company is subject to the following externally imposed capital requirements:
- as a public limited company, the company is required to have a minimum issued share capital of £50,000; and
- as a company regulated by the Payment Service Regulations 2009, the company is required to maintain a capital requirement of either 10% of fixed overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

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

FairFX GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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

During the year ended 31 December 2015, there were no share based payment transactions within the group.

During the year ended 31 December 2014, there were a number of share based payment transactions within the group. These included an agreed cancellation of the share options in existence at the start of the year and a subsequent granting of new options at various exercise prices. These movements are disclosed within the tables below:

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

Historically, the Group granted share options to its director and employees as well as external third parties. At the start of 2014 there were 142,228 unexercised share options. Of these options 48,681 were granted to two directors of the Group. The directors consider that the fair value of the options was immaterial and therefore no charge has been made in the statement of comprehensive income for 2014. The entirety of these options were cancelled in 2014.

Options issued during year ended 31 December 2014	**2014**	**2014**
	Exercise price (£)	**Number**
Granted during the year	0.07	200,000
Granted during the year	0.22	447,750
Granted during the year	0.36	4,352,828
Granted during the year	0.58	120,000
Granted during the year	1.16	120,000
Granted during the year	1.74	120,000
Outstanding at 31 December		5,360,578

The above share options issued in FairFX Plc have been granted to both directors and employees of the group. At the 31 December 2015, there were unexercised share options amounting to 7% of the company's total issued shares. Of the above options 4,055,778 have been granted to directors of the company, with an additional 854,800 having been granted to an individual who is director of a wholly owned subsidiary within the group. All of the above options are exercisable one year following the company's Admission to AIM from 5th August 2015 and will lapse on 3 November 2019.

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

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

a. The weighted average exercise price varies dependent upon the amount stipulated in the individual option deeds. The exercise price ranges from £0.07 - £1.74.

b. Expected volatility has been determined on the share price from date of admission up to 31st December 2014

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

Exercise price (£)	**Fair Value (£)**
0.07	0.28
0.22	0.20
0.36	0.12
0.58	-
1.16	-
1.74	-

The total fair value of the options is £667,420. The charge incurred has been spread over the vesting period, from 28th July 2014 to 5th August 2015 with £388,285 being expensed to the statement of comprehensive income for the year ended 31 December 2015 (2014: £279,136).

The most significant assumption used when arriving at the valuation is volatility. A movement of 5% in this assumption would have an income statement effect of approximately £60,000.

21. Financial commitments

As at 31 December 2015 the Group had the following annual commitments under non-cancellable operating leases. The total future value of the minimum lease payments is as follows:

	Land and buildings	
	2015	**2014**
	£	**£**
Not later than one year	189,537	218,927
Later than one year and not later than five years	-	189,537
	189,537	408,464

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

22. Related party transactions

Loans from related parties
Included within Current borrowings are amounts of nil (2014: £334,882) due to Pembar Limited. Pembar Limited is a company incorporated in British Virgin Islands and is the controlling party of FAIRFX Group Plc. The transaction was concluded at arm's length. Details of the loan is as follows:

- The loan from Pembar Limited dated 9 June 2006 carried interest at a rate of 2% over the Bank of England base rate and was repayable in full by 9 June 2016. The lender converted his loan into share capital as part of the share issue on 13th November 2015 (see note 15).

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

	2015	**2014**
	£	**£**
Salaries, fees and other short term employee benefits	1,003,120	855,246

There are no other related party transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the year ended 31 December 2015.

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

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

24. Post balance sheet events
On 29th March 2016, the Group completed a placing of 26,250,000 new Ordinary Shares at 20p per share with Crystal Amber Fund Limited, an AIM listed fund which invests in small and mid-cap UK equities and other institutional investors which raised £5.1 million (net of expenses).

END

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