

FairFX Group plc
("FairFX" or "the Group" or "the Company")
Interim Results for the six months ended 30 June 2016
Strong growth and improved margins

FairFX, the low cost multi-currency payments service, announces its interim results for the six months ended 30 June 2016.

Key Financial Highlights

- Turnover up 10 per cent. to £344 million (H1 2015: £312 million)
- Revenue up 26 per cent. to £4.6 million (H1 2015: £3.6 million)
- Gross profit up 30 per cent. to £3.6 million (H1 2015: £2.7 million)
- Net loss reduced by 57 per cent. to £0.9 million (H1 2015: £2.1 million)

Key Operational Highlights

- Raised £5.25 million through placing, including strategic investment by Crystal Amber Fund Limited
- The Group delivered on its strategy to shift the business mix towards higher margin products. As a result, increases of 26 per cent and 30 per cent in revenue and gross profit respectively were achieved from a 10 per cent. rise in turnover
- Total retail customer numbers increased by 40,376 to a total of 548,424 with emphasis on card customers, which increased by 34,165 despite headwinds experienced by many travel-related companies
- Corporate card platform growth of 64% to £30.4 million in turnover (H1 2015: £18.5 million)
- Remodelled website with rebranding and full-service mobile app deployed ahead of schedule
- Targeted marketing investments of £1.6 million (H1 2015: £2 million), principally used for running of TV commercial
- Fully operational throughout EU referendum campaign with record week during voting period
- Strategic partnership with HolidayExtras to promote FairFX's products to its customer base

Post-Period End

- Growth in new card sales accelerated further with 17,002 cards sold in the 2 months post-period end
- Total turnover in July and August was approximately £165 million, an increase of 32 per cent. on the same period last year
- Strategic partnership with Premier League Champions Leicester City signed
- Accelerated growth in Corporate card platform usage to 79 per cent. year-on-year

Commenting on the results and outlook, Chief Executive Officer, Ian Stafford-Taylor, said:

"The first half of the year has been very successful for FairFX, especially given the various macro-economic factors encountered. The twin effects of global political events and the EU referendum campaign have hindered many companies with a travel-related focus but FairFX has continued to grow. At the same time, we have significantly reduced the net loss for the first half, showing a clear path towards achieving profitability in 2017."

About FairFX

FairFX is a leading international payment services provider, incorporated in the UK in 2005. The Company has developed a cloud-based peer-to-peer payments platform that enables personal and business customers to make easy, low-cost multi-currency payments in a broad range of currencies and across a range of FX products all via one integrated system. The FairFX platform facilitates payments either direct to Bank Accounts or at 30 million merchants and over 1 million ATM's in a broad range of countries globally via Mobile apps, the Internet, SMS, wire transfer and MasterCard/VISA debit cards.

FairFX 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. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATM's whereas the FairPay and Dealing products support wire transfer foreign exchange transactions direct to Bank Accounts.

For Corporates, FairFX has a market-leading business-expenses solution based around its corporate prepaid card allied to a platform allowing the Corporate to better control expenses and improve transparency whilst removing administrative burdens from staff.

In addition, FairFX has entered into a number of "white-label" arrangements for the use of its P2P matching platform. Partners include easyjet, ThinkMoney, Pitney Bowes and Quintessentially. FairFX has also partnered with Concur Technologies, 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.

Operational Summary

The Group has delivered another strong period of growth during the half, with progress continuing across both the Corporate and Retail segments. This growth has been driven by an improved mix of business and FairFX's proven marketing capabilities, which are driving the growing customer base. The business is also well capitalised to continue its platform and marketing investment following the £5.25 million placing in March, which included a £5 million strategic investment by Crystal Amber Fund Limited.

As at 30 June 2016, the Group's total number of retail customers had reached 548,424, increasing by 40,376 during the period, of which 34,165 were new card customers. This growth was particularly encouraging given the discernible impact of negative headwinds faced by many companies operating in the travel industry, such as people delaying their overseas travel decisions. The Group regards the continued growth in customers as evidence of the effectiveness of its card products, especially taking into account the external market environment.

The strategy to drive further optimisation saw the Group's business mix shift towards higher margin products. As a result, the Group saw an increase of 26 per cent. and 30 per cent. in revenues and gross profits respectively. Reflecting the Company's grasp of current market requirements and ability to harness value, FairFX's corporate business segment delivered considerable growth of 64 per cent. compared to the same period last year, resulting in turnover of £30.4 million.

The remodelling and rebranding of the Group's website is delivering a much improved customer experience and the provision of essential product information and offers. Furthermore, deployment of the FairFX full-service mobile app means that we are capturing growth from the shift in consumer preference to using mobile as their primary means to perform retail transactions. The developments and upgrades were all completed on time for the start of the peak season for marketing FairFX's retail card product, and were in place for the Group's TV advertising campaign which started on 6th June to tie in with the holiday season.

During the period, the Group deployed £1.6 million for use in targeted marketing investments to promote its products, principally across broadcast media. This policy has delivered marked increases in new customer acquisitions and brand awareness.

The Group remained fully operational throughout the EU referendum campaign when currency markets were particularly volatile, which was testament to the robustness of our systems and procedures. As such the Group delivered a record performance in terms of KPIs during the week of the referendum when some peers did not accept business. In the week of the referendum, revenues increased 30 per cent. on the previous record week and 50 per cent. on the same week in June 2015.

In June, FairFX also launched its South African business, which provides services converting ZAR into other currencies for movement out of South Africa through a tripartite agreement with Morgan West Ltd and Mercantile Bank. It is the intention of FairFX to expand its presence in the country through delivering a full-service offering, including currency cards.

FairFX continues to develop commercial partnerships that expose the business to new customers and revenue streams. In line with this strategy, FairFX entered into a partnership with HolidayExtras to promote the Company's products to its customer base. The agreement sought to exploit synergies present in the shared objectives of improving customer experience through innovative technology, a broad product range and highly competitive pricing.

Since the period end, FairFX has developed three further commercial partnerships. In August the Group signed deals with social dining network VizEat as well as Monarch Airlines, which is promoting FairFX's products to its air passengers who receive preferential currency card rates. The Group also signed a high profile agreement in July with Leicester City FC, for whom FairFX is providing all foreign exchange requirements, including money conversion for player transfers.

Financial Review

The six months ended 30 June 2016 has seen the Group continue the strong trajectory of 2015, with key product lines experiencing double-digit growth.

Group turnover for the period was £344 million (H1 2015: 312 million), an increase of 10 per cent. Gross profits were £3.6 million (H1 2015: £2.7 million), an increase of 30 per cent. These substantial increases were mainly due to a business mix focused on higher margin products. While the Group incurred a £0.9 million loss, this was 57 per cent. lower than the 2015 figure (H1 2015: £2.1 million).

On March 7 2016 FairFX successfully raised £5.25 million (before expenses) from the issue of new ordinary shares to certain institutional investors, including Crystal Amber Fund Limited ("Placing"). Proceeds from the Placing have been used to accelerate FairFX's marketing activities and aggressively target the corporate card segment in 2016 across TV and digital platforms. The Placing proceeds also helped bolster the sales effort to corporates for the market-leading FairFX platform, and expand IT resources for new product developments and overseas roll-outs.

Crystal Amber held approximately 24.24 per cent. of the enlarged share capital of FairFX as a result of the Placing, and continues to provide the Company with a key strategic institutional investor who can provide insight and advice to the Company, as well as access to a business network to help accelerate top-line sales growth.

Current Trading and Outlook

FairFX continues to build on the significant growth seen in 2015, with total turnover for July and August at £165 million, up 32 per cent. on the same period last year. Card and international payments products have delivered excellent returns and the Corporate card platform is showing outstanding growth, which accelerated in July and August. The platform has seen an annual growth rate of 79 per cent., up from 64 per cent. at the end of H1.

FairFX remains confident about the trading outlook despite ongoing economic uncertainties in the UK post EU referendum. We have a pipeline of IT developments, which will add exciting functionality to our Corporate offering whilst continuing to refine the retail side of the business. In addition, we are automating and improving efficiency in our supply chain. This will reduce costs and improve our efficiency. As an online business, we continue to focus on making it as simple as possible to become a customer, and to transact on whatever device the user favours.

The Board of FairFX continues to be confident of meeting market expectations for the full year.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes	Unaudited 6 months Ended 30 June 2016 £	Unaudited 6 months Ended 30 June 2015 £	Audited Year ended 31 December 2015 £	
Gross value of currency transactions sold	4	344,295,239	312,038,968	626,827,807
Gross value of currency transactions purchased		(339,705,605)	(308,403,066)	(619,387,847)
Revenue on currency transactions		4,589,634	3,635,902	7,439,960
Direct costs		(1,048,672)	(920,263)	(2,412,073)
Gross profit		3,540,962	2,715,639	5,027,887
Administrative expenses		(4,428,780)	(4,777,828)	(8,423,285)
Loss before tax and from operations		(887,818)	(2,062,189)	(3,395,398)
Tax expense	5	-	-	-
Loss for the period / year		(887,818)	(2,062,189)	(3,395,398)
Loss per share				
Basic	6	(0.99)p	(2.93)p	(4.76)p
Diluted	6	(0.99)p	(2.93)p	(4.76)p

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited at 30 June 16 £	Unaudited at 30 June 15 £	Audited at 31 December 15 £
ASSETS			
Non-current assets			
Property, plant and equipment	78,236	101,748	80,754
	78,236	101,748	80,754
Current assets			
Inventories	198,165	226,086	95,094
Trade and other receivables	4,073,750	13,696,585	1,965,003
Derivative financial assets	489,365	-	115,711
Cash and cash equivalents	9,750,640	6,134,058	3,615,056
	14,511,920	20,056,729	5,790,864
TOTAL ASSETS	14,590,156	20,158,477	5,871,618
EQUITY AND LIABILITIES			

Equity attributable to Equity holders			
Share capital	1,031,160	704,758	768,660
Share premium	10,174,274	3,522,752	5,313,780
Share based payment reserve	667,421	603,004	667,421
Merger reserve	5,416,083	5,416,083	5,416,083
Retained deficit	(12,345,310)	(10,124,283)	(11,457,492)
Total Equity	4,943,628	122,314	708,452
Current liabilities			
Borrowings	-	334,882	-
Trade and other payables	9,253,566	19,701,281	4,463,925
Derivatives and financial liabilities	392,962	-	699,241
	9,646,528	20,036,163	5,163,166
TOTAL EQUITY AND LIABILITIES	14,590,156	20,158,477	5,871,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Share Based Payment	Retained Deficit	Merger Reserve	Total Equity Attributable to Shareholders
	£	£	£	£	£	£
Balance as at 1 January 2015	704,758	3,522,752	279,136	(8,062,094)	5,416,083	1,860,635
Loss for the period	-	-	-	(2,062,189)	-	(2,062,189)
Share based payment charge	-	-	323,868	-	-	323,868
Balance as at 30 June 2015	704,758	3,522,752	603,004	(10,124,283)	5,416,083	122,314
Balance as at 1 January 2015	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 the year	63,902	1,791,028	-	-	-	1,854,930
Share based payment charge	-	-	388,285	-	-	388,285
Balance as at 31 December 2015	768,660	5,313,780	667,421	(11,457,492)	5,416,083	708,452
Loss for the period	-	-	-	(887,818)	-	(887,818)
Shares issued in the year	262,500	4,860,494	-	-	-	5,122,994
Balance as at 30 June 2016	1,031,160	10,174,274	667,421	(12,345,310)	5,416,083	4,943,628

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 share.
Share based payment	Fair value of share options granted to both directors and employees.
Retained deficit	Cumulative profit and losses are attributable to equity shareholders.
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.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended	Unaudited 6 months ended	Audited Year ended 31 December 2015
	30 June 2016	30 June 2015	
	£	£	£
Loss for the period / year	(887,818)	(2,062,189)	(3,395,398)
Cash flows from operating activities			
<i>Adjustments for:</i>			
Depreciation	24,500	29,951	55,165
Share based payment charge (Increase) in trade and other receivables	-	323,868	388,285
(Increase) in derivative financial assets	(2,108,746)	(5,797,484)	(327,825)
(Decrease) in borrowings	(373,654)	-	(68,570)
Increase in trade and other payables	-	-	(334,882)
(Decrease) / increase in derivative financial liabilities	4,789,641	9,638,652	616,078
Decrease / (increase) in inventories	(306,279)	-	699,241
	(103,072)	(64,937)	66,055
Net cash generated / (used) from / (by) operating activities	1,034,572	2,067,861	(2,301,851)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(21,982)	(18,940)	(23,160)
Net cash used in investing activities	(21,982)	(18,940)	(23,160)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	5,250,000	-	1,980,971
Costs directly attributable to share issuance	(127,006)	-	(126,041)
Net cash from financing activities	5,122,994	-	1,854,930
Net increase / (decrease) in cash and cash equivalents	6,135,584	2,048,921	(470,081)
Cash and cash equivalents at the beginning of the period / year	3,615,056	4,085,137	4,085,137
Cash and cash equivalents at the end of the period / year	9,750,640	6,134,058	3,615,056

Included in cash and cash equivalents at 30 June 2016 was £6.0m of customer trading funds (30 June 2015: £5.3 million, 31 December 2015: £2.9 million).

Notes to the unaudited consolidated interim report for the six months ending 30 June 2016

1. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with the AIM rules and the basis of accounting policies set out in the accounts of the Group for the year ended 31 December 2015. The consolidated interim financial statements have been prepared using recognition and measurement principles of IFRS as adopted for use in the European Union. The IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group and therefore accounting policies applied are consistent with those disclosed in the annual financial statements for the year ended 31 December 2015.

The interim financial statements are unaudited and were approved by the Board of Directors on 28 September 2016. The information set out herein is abbreviated and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. These interim consolidated financial statements do not include all disclosures which would be required in a complete set of financial statements and should be read in conjunction with the 2015 Annual Report. The results for the year ended 31 December 2015 are in abbreviated form and have been extracted from the published financial statements of the Group. There were audited and reported upon without qualification by KPMG LLP and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Group has not applied IAS 34 "Interim Financial Reporting" (which is not mandatory for UK Groups) in the preparation of this interim report.

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 financial statements are presented in pounds Sterling, which is the Group's presentational currency.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. The company did not undertake any transactions prior to 30 June 2014.

On 5 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 the prior year and comparative primary financial statements and notes. The effect of this reorganisation was to insert one new company into the Group, a new ultimate holding company, FAIRFX Group plc.

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" have been 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. 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.

3. Going concern basis

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the interim statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Directors are of the opinion that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and feel it is appropriate to adopt the going concern basis in the preparation of the interim statements.

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.

5. Taxation

There is no charge for current or deferred tax due to the availability of tax losses. 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.

6. Loss per share

The loss per ordinary share is based on a loss attributable to equity shareholders of the parent company.

	Unaudited 6 months ended 30 June 2016 £	Unaudited 6 months ended 30 June 2015 £	Audited Year ended 31 December 2015 £
Earnings:			
Loss for the purposes of basic and diluted loss per share (LPS) being the net loss attributable to the owners of the Company	(887,818)	(2,062,189)	(3,395,398)
Number of shares:			
Weighted average number of Ordinary shares for the purpose of basic LPS	89,991,039	70,475,810	71,316,169

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

7. Dividends

The Directors do not recommend the payment of a dividend.

8. Share capital and merger reserve

	As at 30 June 2016		As at 30 June 2015		As at 31 December 2015	
	Number	£	Number	£	Number	£
Allotted, issued and fully paid						
Ordinary shares of 1p each	103,116,039	1,031,160	70,475,810	704,758	76,866,039	768,660

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.

Since 30 June 2015, the company has made the following share issues:

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	£6,390	£126,041	£1,791,028
29 March 2016	26,250,000	£0.20	£5,250,000	£262,500	£127,006	£4,860,494
Total	<u>32,640,229</u>		<u>£7,230,971</u>	<u>£268,890</u>	<u>£253,047</u>	<u>£6,651,522</u>

9. Events after the reporting date

There are no events to report since the reporting date.

10. Interim announcement

The interim report was approved by the Board of Director for issue on 27 September 2016. A copy will be posted on the Investor section of the Company's website at www.fairfx.com.

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