RNS Number : 7029L
FAIRFX Group PLC
23 April 2018

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FairFX Group plc

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

Final results for the year ended 31 December 2017

FairFX, the e-banking and international payments group, is pleased to announce its audited full year results for the year ended 31 December 2017.

Financial highlights:

- Group turnover(1) in excess of £1.1 billion (2016: £0.8 billion), an increase of 41%
- Group revenue of £15.5 million (2016: £10.2 million), an increase of 52% (33% on a like for like basis)
- Gross profit of £11.9 million, up 60% (39.1% on a like for like basis)
- Adjusted EBITDA(2) of £1.0 million (2016: loss £1.5 million)
- Adjusted PBT(3) of £0.9 million (2016: loss £1.6 million)
- First full year of profitability

(1) Turnover is measured by gross value of currency transactions sold of £936.6 million plus gross value of deposits into bank accounts of £184.9 million for a total of £1,121.5 million
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges, acquisition-related expenses, share-based payments and foreign exchange gains and losses
(3) Adjusted PBT is profit before tax, acquisition-related expenses, amortisation of acquisition intangibles, share-based payments and exchange rate gains or losses

Operational highlights:

- Milestone year of development with substantial growth in scale and diversification of operations
- 73,237 new customers added to the business bringing the total to 728,985
- Acquisition of Q Money Limited in January provided Group with e-money licence to diversify business
- Oversubscribed fund-raise of £26 million (net of expenses) to acquire digital banking provider, CardOne Banking.
- Full MasterCard Membership granted, providing path to simplify supply chain

Q1 2018 highlights:

- Group turnover up 125.9% to £439.5 million (31.6% on a like for like basis)
- Group revenue up 85.3% to £4.8 million (18.7% on a like for like basis)
- Acquisition of International Payments Business, City Forex, for £6 million
- Commencement of self-issuance of MasterCard branded cards
- Agreement with Alternative Business Funding to provide FairFX business customers access to lending

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

"2017 has been a ground-breaking year for the Group in terms of growth and expansion of operations. The Group has reported its maiden full year profit as a public company and completed over £1 billion of transaction volume for the first time. The strategic acquisitions of Q Money Limited and CardOne Banking have been key to evolving the business and enabling FairFX to move further into the digital banking sector. 2018 will see the Group continue to develop new products, with a particular focus on the SME banking space, and cross sell its existing services.

"The Group has enjoyed a good start to 2018 to date and has also completed the acquisition of the international payment business and supply chain partner, City Forex, which fits with our strategy to both scale the business and increase control over the supply chain to improve margins. In addition, the Group has a pipeline of development for 2018 to further boost revenue and operational efficiency and consequently, the Board is confident that the outlook for the full year remains in line with market expectations."

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About FairFX

FairFX is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior user experience and low-cost operating model. Our business enables personal and business customers to make easy, low-cost multi-currency payments in a broad range of currencies and across a range of products all via one integrated system. The FairFX platform facilitates payments either direct to Bank Accounts or at 32 million merchants and over 1 million ATM's in a broad range of countries globally via Mobile apps, the Internet, SMS, wire transfer and MasterCard/VISA debit cards.

FairFX provides banking and payment services to both personal and business customers through four channels: Currency Cards, Physical Currency, International Payments and Bank Accounts. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATM's whereas the International Payments channel supports wire transfer foreign exchange transactions direct to Bank Accounts. For Corporates, FairFX has a market-leading business-expenses solution based around its corporate prepaid platform and card. This service can yield significant savings on a Corporate's expenses and procurement through better controls and improved transparency, and streamline the downstream administrative processes, thus saving costs. Through the acquisition of CardOne Banking in August 2017, FairFX now has the capability to offer retail and business bank accounts with all the functionality you would expect from a bank, namely faster payments, BACs, direct debits, international payments and a debit card.

Chairman's statement

2017 was a transformational year for FairFX and marked a step-change in delivering on the Group's strategy, with a major acquisition having been completed, over £1 billion of turnover generated and achieving profitability for the first time since its admission to AIM. As a Group, Turnover is measured by the gross value of currency transactions sold (as reported in the statutory income statement) plus the gross value of customer funds deposited into banking services bank accounts.. Having acquired Q Money Limited in January, which brought with it an e-money licence, FairFX has set a course to evolve its currency payments platform and develop its capabilities as a digital banking services provider, with an emphasis on the SME sector. The acquisition of CardOne Banking, in August 2017, has enabled the Group to fast-track its digital banking plans and the successful integration has seen CardOne Banking's digital banking technology incorporated into the Group with planned synergies already being realised.

In order to finance the acquisition of CardOne Banking and provide additional growth capital for the enlarged group, we completed a placing and open offer to raise net proceeds of £26 million (after costs directly attributable to the share issuance). This was the Group's largest fundraise to date and the high level of investor demand received is a major endorsement of FairFX's success, its growth ambitions and the strength of the management team. We are pleased with the support of both new and existing shareholders during this process and we look forward to a long and successful relationship with them.

The Group's core businesses have continued to perform well, with Currency Card and International Payments turnover up 17.9% and 19.5% respectively. The Group has also made further investment in its technology and platform functionality to improve user experience and facilitate repeat business and cross-selling. Significant enhancements were made in the year to both Corporate and Retail offerings across all platforms, namely web, mobile-responsive web-usage and app. Further development of user experience will remain a key theme for 2018 as we extract more efficiency from our functionally-rich platform.

As the business continues to scale and data protection issues increase in importance to the market and regulators, the Board believes that it is vital to continue to proactively insource more of its supply chain, thereby removing intermediaries, increasing the quality of services offered, optimising risk, and enabling greater control of processes and, in turn, improving gross margins. Our recent acquisition of City Forex in early 2018 demonstrates just one manifestation of this strategy, with City Forex being a partner to FairFX since 2007 and providing the Group's Travel Currency service. While it is immediately earnings enhancing, the acquisition also increases economies of scale and adds product innovation through City Forex's proprietary platform, which also adds functionality to the existing FairFX platform. The acquisition also brings an opportunity to cross-sell FairFX's products to City Forex's customers, particularly FairFX's Corporate Expenses Card and Platform.

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

John Pearson
Non-executive Chairman
22 April 2018

Chief Executive's statement

I am pleased to report on the Group's significant achievements during its financial year ended 31 December 2017 ("FY 2017"). We had another successful year with strong turnover and revenue growth coupled with a move into full year profitability for the first time since the admission of the Group to AIM. The results demonstrate how the stated strategy of the Group, namely adding scale and efficiency coupled with product innovation focused on SME digital banking, are bearing fruit. The focus of the Group's activity in the year and the significant achievements made all fit within these two key themes.

FairFX Group completed the acquisitions of two businesses during the year; Q-Money and CardOne Banking. Q-Money, acquired in January, was the first step towards adding a digital banking capability to the Group and brought with it an existing e-money licence, as well as significant expertise in payments and banking. The Group then completed the acquisition of CardOne Banking in August, which transformed the digital-banking services the Group could offer. Accordingly, the Group's 2017 results reflect both the performance of the core FairFX business lines, which performed strongly, plus the additional activity of Banking.

Group turnover rose 40.5% to in excess of £1.1 billion (2016: £0.8 billion), generating an adjusted EBITDA of £1.0 million (2016: loss £1.5 million). Within the total turnover, like-for-like (excluding acquired business activity post acquisition) turnover from core foreign exchange services was £936.6 million, up 17.3% (2016: £798.3 million). Banking turnover, generated from the CardOne Banking acquisition, contributed £184.9 million representing trading for the period since the acquisition completed in August 2017.

Within the non-banking turnover of £936.6 million, growth was evenly spread across our products with Prepaid Currency Cards and Travel Cash up 14.5% to £402.9 million (2016: £351.8 million) and International Payments, comprising Dealing and FairPay, up 19.5% to £533.7 million (2016: £446.5 million)

Within Prepaid Currency Cards and Travel Cash, the Corporate Expenses Platform, which enables businesses to better control their expenses and procurement, continued its strong year-on-year growth trend, up 60.6% on the previous year to £130.3 million. On the Retail consumer side, the prepaid card showed modest growth, rising 2.2% to £224.9 million whilst Travel Cash fell by 5.8% to £47.7 million. The performance on cards within Retail is encouraging when measured against the high level of competition in this space and we will be launching additional features in 2018 which should further boost growth. The performance in Travel Cash was partly due to reducing the amount we were prepared to pay to acquire a customer to fit within our policy, implemented in 2017, to cap cost per acquisition (CPA) for all of our products at less than or equal to the year 1 value of a customer. The acquisition of City Forex, in early 2018, will ensure that we can look at improving our margins in the cash space to drive growth.

The Group's push into the corporate market can be demonstrated by the growth of corporate turnover as % of total turnover. For FY 2017, corporate turnover was 52.3% (2016: 45.5%) of total turnover, an increase of 15.1%.

Revenue for the year rose 51.7% to £15.5 million (2016: £10.2 million) with revenue margin improving to 1.38% (2016: 1.28%), demonstrating that the Company can deliver sustainable top line growth whilst more than maintaining margins. Within the total revenue number, like-for-like revenue from core foreign exchange services was up 33% at £13.6 million (2016: £10.2 million) with growth driven by International Payments up 35.3% to £5.1 million and Currency Cards up 33.4% to £8.1 million. Revenue from Banking was £1.9 million representing the result post the acquisition of CardOne Banking in late August.

Gross profit for FY 2017 was £11.9 million (2016: £7.5 million), up 59.8% on 2016. Within the total gross profit, like-for-like gross profit from core foreign exchange services was up 39% at £10.4 million (2016: £7.5 million). Gross profit from Banking was £1.5 million representing the result post the acquisition of CardOne Banking in late August. Group gross profit is stated after the deduction of direct costs which rose by 29.3% to £3.5 million (2016: £2.7 million). As direct costs increased proportionately less than revenues, gross profit margin improved to 77.2% (2016: 73.5%) showing that the focus on costs in the year is bearing fruit and this trend is expected to continue into 2018.

Group overheads increased to £11.4 million during FY 2017, an increase of 28.4%. Excluding £1.5 million of overheads incurred post-acquisition by CardOne Banking and Q-Money, overheads on a like-for-like basis grew by 11.1% as the Group continues to invest for growth, most notably in adding talent into design, product management and development.

As illustrated in the table below, adjusted EBITDA (earnings before interest, tax, depreciation and amortisation charges, acquisition-related expenses, share-based payments and foreign exchange gains and losses) was £1.0 million (2016: £1.5 million loss). This significant improvement is a result of the top line growth whilst maintaining revenue margins and controlling direct costs and overheads. The Company is therefore optimally geared to take further advantage of top line growth by enjoying the economies of scale on payment processing that comes with higher transaction volume without significant increase in overheads.

Adjusted PBT (profit before tax, acquisition-related expenses, amortisation of acquisition intangibles, share-based payments and exchange rate gain or losses) for the Group was £0.9 million (2016: loss £1.6 million). Unadjusted PBT for 2017 was £0.2 million (2016: loss £1.4 million), an improvement of 116% and again illustrates the huge strides the Group has made over the year.

The Group tax charge for the year was a credit of £217,687, comprising a £27,179 current tax credit for group tax relief and a deferred tax credit of

£190,508 on share based payments.

Profit after tax was £0.4 million (2016: £1.4 million) after adjusting for the current and deferred tax credits in 2017.

Adjusted EBITDA/PBT Calculation	**2017**	**2016**
	£	£
Statutory Net Profit / (Loss)	**447,136**	**(1,440,190)**
Amortisation of acquisition intangibles	220,325	-
Other amortisation charges	792	-
Depreciation costs	51,727	53,423
Tax Credit	(217,687)	-
EBITDA	**502,293**	**(1,386,767)**
Acquisition-related costs	269,769	-
Share-based payments	112,961	1,001
Foreign exchange loss / (gain)	68,186	(119,507)
Adjusted EBITDA	**953,208**	**(1,505,273)**
Other amortisation charges	(792)	-
Depreciation costs	(51,727)	(53,423)
Adjusted PBT	**900,690**	**(1,558,696)**

The net cash position of the Group at 31st December 2017 was £52.0 million, comprising £34.1 million of client funds and £17.8 million of available cash. Accordingly, the Group has sufficient cash resources to continue implementing its growth strategy.

People
A key component for the success of the Group is to attract and retain talented people and this will continue to be a focus going forward. During the period, Ben Wynn was appointed as Chief Product and Marketing Officer, bringing with him over 18 years' experience of building, promoting and scaling advanced products across mobile, digital and marketing landscapes. Ben's appointment augments the already experienced Executive Committee of FairFX and he is driving positive change throughout the organisation.

The acquisition of CardOne Banking in August of 2017 brought two major benefits to the Group in terms of people. Firstly, we acquired excellent new talent, from its Chief Executive Officer, Adam Rigler, his senior management team and the wider workforce. Both Adam and the CardOne Banking Chief Technology Officer, Andrew Phillips, are now part of the Group's Executive Committee. Secondly, the acquisition allows the Group to widen its catchment area for recruitment as CardOne Banking is based in Chester and we are increasingly adding headcount where we can find the relevant talent, irrespective of the location between London and Chester.

The net impact on Group average headcount from organic growth and the CardOne Banking acquisition was an increase from 66 to 101. The headcount total at the end of the year was 153, which comprised of 77 within FairFX and 76 within CardOne Banking.

There were no changes to the Board of Directors in 2017. The Board remains committed to the success of the Group and continues to value high standards of corporate governance. During the year, Bob Head, Non-Executive Director, was elected Chair of the Audit and Remuneration Committees. Bob brings an immense wealth of experience in corporate governance from his previous roles which will help the Board further elevate the Group's corporate governance approach.

Strategy
As stated in our trading update released earlier this year, the strategic focus for the Group lies in two key areas. Firstly, to continue to achieve business efficiencies through a combination of increasing scale, selective internalisation of the supply chain and improved customer experience of our products. An example of this is our recent acquisition of City Forex which significantly increases the Group's scale - see Quarter 1 update below for details. Secondly, to continue to roll out innovative new products with an emphasis on banking services for businesses, thereby building on the technology platform of CardOne Banking, which we acquired in August 2017.

The business efficiency strategy has multiple strands to it:

- gaining full membership status of Mastercard in December 2017 meant that the Group can now issue its own cards and has selectively started to do so in 2018 as part of an overall card issuance strategy;

- increasing turnover of the Group means we can obtain better commercial terms from partners;

- selectively insourcing processes, reducing costs and improving speed of deploying new products; and

- investing in improving user experience across our platforms and products making it easier to become a customer and to transact.

The innovation strategy is focused on the provision of digital banking services for the business consumer and thereby brings together the complementary strengths of FairFX and CardOne Banking. The first key step in this journey is the Fair Everywhere multi-currency bank account product, which is soon to launch in 2018. Fair Everywhere is targeted on the business sector and more specifically, SMEs, offering current accounts in multiple currencies. A pipeline of further innovations in this space is planned for 2018 and beyond.

Finally, the Board will continue to evaluate accretive acquisition opportunities, as appropriate, in line with the Group's strategy and in order to further strengthen the Group.

Quarter 1 update
The results for the first quarter 2018 are encouraging and support our expectations for the full year. Turnover for the first 3 months of 2018 (including CardOne Banking and City Forex) grew strongly and is up 125.9% on the prior year at £439.5 million (2017: £194.6 million). This growth has been driven by International Payments which is up 98.5% at £212.9 million (2017: £107.2 million) and Prepaid Currency Card turnover which increased 11.2% to £82.6 million (2017: £74.3 million), including corporate card volumes up 25.9% over prior year to £34.0 million (2016: £27.0 million). On a like-for-like basis, turnover from core foreign exchange services was up 31.6% to £256.1 million (2017: £194.6 million).

Revenue (including CardOne Banking and City Forex) also grew strongly in the first quarter of 2018 with an 85.3% increase to £4.8 million (2017: £2.6 million). On a like-for-like basis, revenue from core foreign exchange services increased 18.7% to £3.1 million (2017: £2.6 million). Total customer numbers continue to expand rapidly with 26,909 new customers added in the first quarter, bringing the total to755,894.

Also during the period, the Group acquired City Forex for £6 million in cash, completing the transaction in February. City Forex has a substantial international payments and travel currency business that is serviced through an innovative proprietary system that processes both the Travel Currency and International Payments businesses with a high degree of automation. The system will be combined with FairFX's existing platform to yield further efficiencies for the Group as well as increased capacity for growth. The opportunities for revenue enhancement for the Group from cross-selling FairFX products to City Forex customers are considerable, particularly for the FairFX Corporate Expense Platform. In addition, FairFX will utilise its existing infrastructure and marketing methodology to engage with the City Forex customer base.

Outlook
Based on the Q1 2018 performance, partnered with planned enhancements to further boost revenues and operational efficiency, myself and the Board remain confident that trading for the full year remains in line with market expectations. We look forward to delivering further growth and increased profitability in the coming year and continuing to build shareholder value.

Ian Strafford - Taylor
Chief Executive Officer

22 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Gross value of currency transactions sold	3.4	936,593,130	798,300,641
Gross value of currency transactions purchased	3.4	(923,028,865)	(788,105,667)
Revenue on currency transactions		13,564,265	10,194,974
Banking revenue		1,896,470	-
Revenue	4	**15,460,735**	**10,194,974**
Direct costs		(3,525,676)	(2,725,788)
Gross profit		**11,935,059**	**7,469,186**
Administrative expenses (excluding acquisition expenses)		(11,435,841)	(8,909,376)
Acquisition expenses		(269,769)	-
Profit / (loss) before tax	5	**229,449**	**(1,440,190)**
Tax credit	8	217,687	-
Profit / (loss) and total comprehensive income for the year		**447,136**	**(1,440,190)**
Profit / (loss) per share			
Basic	9	0.37	(1.49p)
Diluted	9	0.36	(1.49p)

All income and expenses arise from continuing operations. There are no differences between the profit for the year and total comprehensive income for the year, hence no Statement of Other Comprehensive Income is presented.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	£	£	£	£
ASSETS					
Non-current assets					
Property, plant and equipment	10	137,580	75,258	-	-
Intangible assets and goodwill	11	17,649,128	-	-	-
Deferred tax asset	8	511,912	-	-	-
Investments	12	-	-	29,455,134	11,243,460
		18,298,620	75,258	29,455,134	11,243,460
Current assets					
Inventories	13	199,747	229,905	-	-
Trade and other receivables	14	3,779,768	3,001,402	13,212,504	-
Derivative financial assets	18	303,775	223,884	-	-
Cash and cash equivalents	15	51,950,729	8,523,985	-	-
		56,234,019	11,979,176	13,212,504	-
TOTAL ASSETS		**74,532,639**	**12,054,434**	**42,667,638**	**11,243,460**
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	16	1,553,682	1,031,160	1,553,682	1,031,160
Share premium		35,858,770	10,174,273	35,858,770	10,174,273
Share based payment reserve		1,144,832	668,422	781,383	668,422
Merger reserve		8,395,521	5,416,083	2,979,438	-
Contingent consideration reserve		543,172	-	543,172	-
Retained deficit		(12,450,546)	(12,897,682)	(1,123,092)	(883,933)
		35,045,431	4,392,256	40,593,353	10,989,922
Non-current liabilities					
Deferred tax liability	8	673,661	-	-	-
		673,661	-	-	-
Current liabilities					
Trade and other payables	17	38,550,504	7,514,221	2,074,285	253,538
Deferred tax liability	8	117,838	-	-	-
Derivative financial liabilities	18	145,205	147,957	-	-

	38,813,547	7,662,178	2,074,285	253,538
TOTAL EQUITY AND LIABILITIES	**74,532,639**	**12,054,434**	**42,667,638**	**11,243,460**

The financial statements were approved and authorised for issue by the Board on 22 April 2018 and were signed on its behalf by:

I A I Strafford-Taylor
Director
Company Registration number: 08922461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Share capital	Share premium	Share based payment	Retained deficit	Merger reserve	Contingent consideration reserve	Total
	£	£	£	£	£	£	£
At 1 January 2016	768,660	5,313,780	667,421	(11,457,492)	5,416,083	-	708,452
Loss for the year	-	-	-	(1,440,190)	-	-	(1,440,190)
Shares issued in year	262,500	4,860,493	-	-	-	-	5,122,993
Share based payment charge (note 20)	-	-	1,001	-	-	-	1,001
At 31 December 2016	1,031,160	10,174,273	668,422	(12,897,682)	5,416,083	-	4,392,256
Profit for the year	-	-	-	447,136	-	-	447,136
Shares issued in year	522,522	25,684,497	-	-	2,979,438	-	29,186,457
Share based payment charge (note 20)	-	-	476,410	-	-	-	476,410
Equity based acquisition consideration	-	-	-	-	-	543,172	543,172
At 31 December 2017	**1,553,682**	**35,858,770**	**1,144,832**	**(12,450,546)**	**8,395,521**	**543,172**	**35,045,431**

Company	Share capital	Share premium	Share based payment	Retained deficit	Merger reserve	Contingent consideration reserve	Total
	£	£	£	£	£	£	£
At 1 January 2016	768,660	5,313,780	667,421	(883,933)	-	-	5,865,928
Loss for the year	-	-	-	-	-	-	-
Shares issued in period	262,500	4,860,493	-	-	-	-	5,122,993
Share based payment charge (note 20)	-	-	1,001	-	-	-	1,001
At 31 December 2016	1,031,160	10,174,273	668,422	(883,933)	-	-	10,989,922
Loss for the year	-	-	-	(239,159)	-	-	(239,159)
Shares issued in period	522,522	25,684,497	-	-	2,979,438	-	29,186,457
Share based payment charge (note 20)	-	-	112,961	-	-	-	112,961
Equity based acquisition consideration	-	-	-	-	-	543,172	543,172
At 31 December 2017	**1,553,682**	**35,858,770**	**781,383**	**(1,123,092)**	**2,979,438**	**543,172**	**40,593,353**

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 directly attributable costs.
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.
Contingent consideration reserve	Arising on equity based contingent consideration on acquisition of subsidiaries.

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 FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Note	2017	2016
		£	£
Profit / (loss) for the year		447,136	(1,440,190)
Cash flows from operating activities			
Adjustments for:			
Depreciation		51,727	53,423
Amortisation		221,117	-
Share based payment charge		112,961	1,001
(Increase) in trade and other receivables		(697,755)	(1,036,399)
(Increase) in derivative financial assets		(79,891)	(108,173)
(Increase) in deferred tax asset		(511,912)	-
Increase in trade and other payables		31,254,467	3,050,296
Increase in deferred tax liabilities		791,499	-
(Decrease) in derivative financial liabilities		(2,752)	(551,284)
(Increase) / decrease in inventories		38,031	(134,811)
Net cash inflow / (outflow) from operating activities		31,624,628	(166,137)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(83,266)	(47,927)
Acquisition of intangibles		(193,757)	-
Acquisition of subsidiary, net of cash acquired		(12,827,261)	-
Investment in subsidiary undertaking		(1,255,748)	-
Net cash used in investing activities		(14,360,032)	(47,927)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		27,703,789	5,250,000
Costs directly attributable to share issuance		(1,541,641)	(127,007)
Net cash from financing activities		26,162,148	5,122,993
Net increase in cash and cash equivalents		43,426,744	4,908,929
Cash and cash equivalents at the beginning of the year		8,523,985	3,615,056
Cash and cash equivalents at end of the year	**15**	**51,950,729**	**8,523,985**

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Note	2017	2016
		£	£
Loss for the period		(239,159)	-
Cash flows from operating activities			
Adjustments for:			
Share based payment charge		112,961	1,001
Decrease / (increase) in trade and other receivables		(13,212,504)	4,624,571
Increase in trade and other payables		2,615,276	234,038
Net cash inflow / (outflow) from operating activities		(10,723,426)	4,859,610
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(12,827,261)	-
Investment in subsidiary undertaking		(2,611,461)	(9,982,603)
Net cash used in investing activities		(15,438,722)	(9,982,603)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		27,703,789	5,250,000
Costs directly attributable to share issuance		(1,541,641)	(127,007)
Net cash from financing activities		26,162,148	5,122,993
Net increase / (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at end of the period		-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in providing foreign currency and banking services via technology platforms offered on the internet.

The Company and Group's consolidated financial statements for the year ended 31 December 2017 were authorised for issue on 22 April 2018 and the Company and Group's statement of financial position signed by I A I Strafford - Taylor on behalf of the Board.

2. New standards, amendments and interpretations to published standards

The 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 2017.

Adoption of new and revised accounting standards and interpretations:

· IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
· IAS 7 Disclosure Initiative

The adoption of the new applicable standards has 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 Company or have no material effect on the financial statements of the Group and Company.

A. IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. It affects the timing of recognition of revenue items, but not generally the overall amount recognised. The standard will come into force with effect from the Group's financial statements for the year ending 31 December 2018.

A preliminary review exercise has taken place and the Group has concluded that the introduction of the new standard will not have a material impact on its results or financial position.

B. IFRS 9 Financial Instruments
IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* The standard will come into force with effect from the Group's financial statements for the year ending 31 December 2018.

(i) Classification - Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss. The changes from the classification under IAS 39 are not expected to be significant for the Group.

(ii) Impairment - Financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:

· 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
· lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Overall, the introduction of IFRS 9 is likely to result in companies carrying a larger provision balance and recognising losses earlier. However, the profit and loss effect is broadly one of timing, with the same amount of provision per case ultimately charged to profit.

The Group is in the process of assessing the impact of the new standard and does not believe that its financial assets are at risk of material impairment losses in the scope of the IFRS 9 impairment model.

(iii) Classification - Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

· the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
· the remaining amount of change in the fair value is presented in profit or loss.

The changes from the classification under IAS 39 are not expected to be significant for the Group.

C. *IFRS 16 Leases*
IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Group has not yet completed its assessment of the potential impact on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases on office buildings. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

D. Other standards

	Effective Dates *
IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)	01 January 2018
IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018
IAS 40 Transfers of Investment Property	01 January 2018
	01 January

IFRIC 22 Foreign Currency Transactions and Advance Consideration	2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 Prepayment Features with Negative Compensation	01 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	01 January 2019
IFRS 17 Insurance Contracts	01 January 2021

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

3. Basis of presentation and significant accounting policies

The principal accounting policies applied in the preparation of the Group and Company 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 and Group's presentational currency.

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company and Group's accounting policies. These estimates are based on the Directors' best knowledge and past experience and are explained further in note 3.25.

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.

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.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

On publishing the 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 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 presentational 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 into the presentational currency at the exchange 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 Gross value of currency transactions sold and purchased

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

3.5 Income recognition

(i) Deliverable FX trades (international payments)

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

(ii) Currency cards

There are two distinct revenue streams, FX card load orders and transaction-based charges. Revenue on FX card load orders onto non-GBP currency cards is recognised when a binding order is entered into by a customer, the margin is fixed and determined and the foreign currency has been loaded onto their currency card. The revenue, represented by the margin, is the difference between the rate offered to clients and the rate the Group receives from its liquidity providers. The transaction-based charges are recognised at the time the transaction is entered into by the customer and deducted from the customer's account.

(iii) Banking operations

There are two distinct revenue streams, account residency charges and transaction-based charges. The account residency charge is due monthly and the revenue is recognised when the monthly service has been provided and it is probable that payment will be received. The transaction-based charges are recognised at the time the transaction is entered into by the customer and deducted from the customer's account.

For currency cards, international payments (fairpay and dealing) and banking segments, the Group is acting as principal and as such, customer cash is shown on the balance sheet, with a corresponding liability to the customer. For the remaining segments, the Group is acting in the capacity as an agent of a third party, and as such, customer cash is not recognised on the face of the balance sheet. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligation.

3.6 Interest expense recognition

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

3.7 Pension Costs

The Group operates a defined contribution pension scheme and outsources the administration of the pension scheme to a third party. The Group contributes to the pension scheme in line with Auto-enrolment obligations as defined in the Pensions Act 2008 and passes on the employer and employee contributions to the pension scheme administrator on a monthly basis. The employer contributions are recognised as they occur through the payroll.

3.8 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 recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described on the previous paragraph.

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.

3.9 Research and development

Research costs are expensed as incurred. Expenditure on IT software and development is recognised as an intangible asset when the Group 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.

3.10 Treatment of Research and Development Tax Credits

Research and development tax credits are treated as a government grant as defined under IAS20 - Accounting for Government Grants and Disclosure of Government Assistance. The tax credit claim is based on research and development activity carried on by staff and so any claim received is netted against administration expenses. The tax credit is recognised on receipt of funds from the Government.

3.11 Taxation

The tax expense comprises current and deferred tax.

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 different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3.13 Intangible assets and goodwill

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on research activities is recognised in profit or loss as incurred.
Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(ii) Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

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

Customer relationships	6 years
Brands	5 years
Trademarks, licences, patented and non-patented technology	3-10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Plant and equipment	33-50%
Fixtures and fittings	20%
Leasehold improvements	10%

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

3.16 Inventories
Inventories comprise of stock of prepaid currency cards not yet distributed to customers. Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. There are no currency amounts loaded on stock of prepaid currency cards.

3.17 Trade and other receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables include monies receivable from customers executing deliverable FX trades. 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.

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.

3.18 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.

3.19 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.

3.20 Cash and cash equivalents
These include cash in hand and deposits held at call with banks. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligations.

3.21 Trade and other payables
These arise principally from monies held on behalf of customers from banking operations and deliverable FX trades to be settled in accordance with instructions from customers.

These are initially recognised at fair value and then carried at amortised cost using the effective interest method.

3.22 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.

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.

3.23 Leases
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.

3.24 Impairment

Non-derivative financial assets

Financial assets not classified as at FVTPL, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a Group of financial assets.

Financial assets at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The Group's CGU's for impairment testing are defined in note 11.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.25 Judgements and estimates

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 accounting estimates and assumptions regarding the future that may have a risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year. The judgements, assumptions and estimates 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. The critical estimate is the term of the share option to vest.

(ii) Measurement of fair values

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).

Measurement of fair values of derivative financial assets and liabilities

The Group's accounting policies and disclosures require measurement of fair values with regard to derivative financial assets and liabilities. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the reporting date.

Measurement of contingent consideration

Contingent consideration is measured at fair value using probability weighted cash flows. The valuation model considers the present value of the expected future payments. The expected payment is determined by considering the possible scenarios, the amount to be paid under each scenario and the probability of each scenario.

The Directors also made the following judgments in the treatment of contingent consideration:

- That the contingent consideration in connection with acquisitions is not linked with the continuing employment of the employee shareholders of the acquirers and therefore not treated as remuneration.

- That the conditions for contingent consideration are not linked and hence the contingent consideration is accounted for within equity at completion and is not re-measured thereafter.

Measurement of fair values of subsidiaries acquired:

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

(a) E-money licence - Q-Money acquisition

The e-money licence was valued using the current cost to recreate approach. This approach values an intangible asset at the cost that would be incurred in re-creating the asset - either though restoration (creating an identical asset) or replacement (creating a similar asset).

The valuation method used an estimate of the cost of staff members' time to prepare, submit and manage an authorisation process, specialist regulatory consultancy costs, the cost of external contractors and a minimum initial capital required by Electronic Money Regulations 2011. The estimate was based on management's experience.

(b) Banking platform and Brand names - Spectrum acquisition
The banking platform and brand names were valued using the relief from royalty approach. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

A royalty rate of 6.00% was used for the purpose of the valuation of the banking platform. The discount factor applied in the valuation of banking platform was 12.25%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used.

A royalty rate of 1.00% was used for the purpose of the valuation of the brand names. The discount factor applied was 12.75% being the (WACC) together with a margin of 0.50%. The most sensitive factor was the royalty rate used.

(c) Customer Relationships - Spectrum acquisition
Customer relationships were valued using a multi-period excess earnings approach. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

The life of the customer relationships was established through estimated attrition rates. The attrition rates used in the valuation of customer relationships were as follows:

- Corporate customers 33%
- Retail customers 31%

The contributory assets charges were calculated on the basis of an aggregated rate of all contributory assets as an average percentage of revenue over the financial projection period covering the years ending 31 December 2017 to 2024.

The discount factor applied in the customer relationships valuation was 13.25%, being the weighted average cost of capital (WACC) together with a margin of 1.00%.

(d) Impairment of goodwill
The assumptions used in the impairment test for goodwill are disclosed in note 11.

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, Banking and Central (which includes travel cash, overheads and corporate costs). The revenue is wholly derived from within the UK.

The banking segment was added in the current year to manage the activity of the Q Money Limited (QML) and Spectrum Financial Group Limited (SFG) businesses acquired in 2017.

The Group has changed its allocation of revenue between the Central and Currency Cards segments in the year ended 31 December 2017 to more accurately reflect the segment to which the revenue relates. For consistency, the prior year comparative balances have been restated below. This restatement did not result in any impact on the total prior year revenue or loss.

2017	**Currency Cards**	**International Payments**		**Banking**	**Central**	**Total**
Group		**FairPay**	**Dealing**			
	£	£	£	£	£	£
Segment revenue	8,124,165	786,828	4,321,612	1,896,470	331,660	15,460,735
Direct costs	-	-	-	(347,886)	(3,177,790)	(3,525,676)
Administrative expenses	-	-	-	(1,346,062)	(10,089,779)	(11,435,841)
Acquisition costs	-	-	-	-	(269,769)	(269,769)
Profit / (loss) before tax	8,124,165	786,828	4,321,612	202,522	(13,205,678)	229,449
Total assets	-	-	-	-	74,532,639	74,532,639
Total liabilities	-	-	-	-	(39,487,208)	(39,487,208)
Total net assets	-	-	-	-	35,045,431	35,045,431

2016	**Currency Cards**	**International Payments**		**Banking**	**Central**	**Total**
Group		**FairPay**	**Dealing**			
	£	£	£	£	£	£
Segment revenue	6,089,477	773,823	3,002,024	-	329,650	10,194,974
Direct costs	-	-	-	-	(2,725,788)	(2,725,788)
Administrative expenses	-	-	-	-	(8,909,376)	(8,909,376)
Profit / (loss) before tax	6,089,477	773,823	3,002,024	-	(11,305,514)	(1,440,190)
Total assets	-	-	-	-	12,054,434	12,054,434
Total liabilities	-	-	-	-	(7,662,178)	(7,662,178)
Total net assets	-	-	-	-	4,392,256	4,392,256

5. Profit / (loss) before tax - Group

Profit / (loss) before tax is stated after charging the following:-	**2017**	**2016**
	£	**£**
Operating lease - property	392,377	271,487
Depreciation of plant and equipment and fixtures and fittings	51,727	53,423
Amortisation of intangibles	221,117	-
Net foreign currency differences	68,186	(119,507)
Research and development costs	1,265,388	902,643
Research and development tax credit	(301,032)	(220,020)

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

	2017	2016
	£	£
Audit fees:-		
Fees payable for the audit of the annual report and financial statements	70,000	40,000
Fees payable for the audit of subsidiaries	40,000	40,000
Total audit fees	110,000	80,000
Other services:-		
Taxation services	-	-
Corporate finance services	-	-
Other assurance services	-	-
Total non-audit fees	-	-
Total Fees	110,000	80,000

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:-

	2017	2016
	Headcount	Headcount
Administrative staff	101	66

Employee costs

	2017	2016
	£	£
Wages and salaries	5,354,654	3,587,934
Social security costs	567,279	417,660
Pension costs	23,028	10,008
	5,944,961	4,015,602

Further information regarding share options is given in note 20.

7. Directors' remuneration

	2017	2016
	£	£
Emoluments	642,973	571,871

The total amount payable to the highest paid director in respect of emoluments was £482,586 (2016: £433,742)

The total amount payable to all Directors in the consolidated Group was £1,302,782 (2016: £682,057).
There were pension payments of £773 (2016: £402) in the year. Further information regarding share options is given in note 20.

8. Taxation

Group	**2017**	**2016**
	£	£
Current tax (credit)	**(27,179)**	**-**
Release of DTL acquired on business combinations	(42,046)	-
Recognition of previously unrecognised deductible temporary differences	(148,462)	-
Deferred tax (credit)	**(190,508)**	**-**
Total tax (credit)	**(217,687)**	**-**

Factors affecting tax charge for the period

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

	2017	2016
	£	£
Profit / (loss) before taxation: Continuing operations	229,449	(1,440,190)
Taxation at the UK corporation rate tax of 19.25% (2016: 20%)	44,169	(288,038)
Capital allowances in arrears / (advance) of depreciation	-	672
Share based payments	-	200
Net impact of R&D tax credit claim	(188,376)	66,344
Expenses not deductible for tax purposes	47,986	8,447
Tax losses for which no deferred tax asset utilised	6,211	212,375
Effect of tax at marginal rate	(959)	-
Deferred tax on equity settled share based payments	(126,718)	-
Total tax credit for the year	(217,687)	-

Movement in deferred tax balances

Group	Net balance at 1 January	Acquired in business combination	Recognised to equity	Recognised to profit or loss	Balance at 31 December	Deferred tax asset	Deferred tax liability

2017	£	£	£	£	£	£	£
Intangibles	-	(833,545)	-	42,046	(791,499)	-	(791,499)
Equity settled share based payments	-	-	363,450	148,462	511,912	511,912	-
Deferred tax assets (liabilities)	-	(833,545)	363,450	190,508	(279,587)	511,912	(791,499)

Group	Net balance at 1 January	Acquired in business combination	Recognised to equity	Recognised to profit or loss	Balance at 31 December	Deferred tax asset	Deferred tax liability
2016	£	£	£	£	£	£	£
Deferred tax assets (liabilities)	-	-	-	-	-	-	-

Group	2017	2016
	£	£
Non-current deferred tax asset	511,912	-
Current deferred tax liability	(117,838)	-
Non-current deferred tax liability	(673,661)	-
Total deferred tax liability	(791,499)	-

Based on the valuation of acquisition intangibles and enacted UK corporation tax rates, the Group has acquired deferred tax liabilities of £833,545 in relation to its acquisition of Spectrum Financial Group Limited and Q Money Limited (note 12). The deferred tax will be released to the income statement as the underlying intangible assets are amortised or otherwise recognised via impairment in profit or loss. The deferred tax liability released to the income statement in the year was £42,046. Future changes in the standard rate of corporation tax have been reflected in the carrying value of the deferred tax liability.

During the year, the Group recognised a £511,912 deferred tax asset in relation to unexercised share options. Of this amount £148,463 was recognised in the current year's tax expense and £363,449 was recognised to equity.

The Group has estimated losses of £9,271,636 (2016: £9,126,793) available for carry forward against future trading profits. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset will be taken at such point recovery is reasonably certain. The Group has an unrecognised deferred tax asset of £1,761,611 (2016: £1,825,359) 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.

During the year ended 31 December 2015, the Government announced provisions further reducing the rate of corporation tax to 19.0% with effect from 1 April 2017 and to 18.0% from 1 April 2020 which were substantially enacted during the year. The tax rate applying from 1 April 2020 was further reduced to 17% during the year.

Therefore the standard rate of corporation tax applicable to the Group for the year ended 31 December 2017 was 19.25%. The rate in the years ending 31 December 2018 and 31 December 2019 are expected to be 19.0%, the rate in the year ending 31 December 2020 is expected to be 17.5% and the rate in subsequent years is expected to be 17.0%.

9. Profit / loss per share

Basic profit / loss per share

The calculation of basic profit or loss per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The profit after tax attributable to ordinary shareholders is £447,136 (2016: £1,440,190 loss) and the weighted average number of shares in issue for the period is 121,876,571 (2016: 96,732,842).

Diluted profit / loss per share

The calculation of diluted earnings per share has been based on the profit or 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 profit after tax attributable to ordinary shareholders is £447,136 (2016: £1,440,190 loss) and the weighted average number of shares is 124,855,331 (2016: 96,732,842).

10. Property, plant and equipment

Group	Plant and machinery	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2017	282,034	16,721	39,651	338,406
Additions	77,105	6,161	-	83,266
Acquisitions through business combinations	27,021	3,762	-	30,783
At 31 December 2017	386,160	26,644	39,651	452,455
Depreciation				
At 1 January 2017	239,867	11,457	11,824	263,148
Charge for the year	45,039	2,723	3,965	51,727
At 31 December 2017	284,906	14,180	15,789	314,875
Net book value				
At 31 December 2017	101,254	12,464	23,862	137,580
At 31 December 2016	42,167	5,264	27,827	75,258

11. Intangible assets and goodwill

Group	Goodwill £	Trademarks, licences, patented and non-patented technology £	Customer relationships £	Brands £	Under construc-tion £	Total £
Cost						
At 1 January 2017	-	-	-	-	-	-
Additions	-	50,000	-	-	143,757	193,757
Acquisitions through business combinations	12,962,509	2,626,979	1,794,000	293,000	-	17,676,488
At 31 December 2017	12,962,509	2,676,979	1,794,000	293,000	143,757	17,870,245
Amortisation						
At 1 January 2017	-	-	-	-	-	-
Charge for the year	-	101,917	99,667	19,533	-	221,117
At 31 December 2017	-	101,917	99,667	19,533	-	221,117
Net book value						
At 31 December 2017	12,962,508	2,575,062	1,694,333	273,467	143,757	17,649,128
At 31 December 2016	-	-	-	-	-	-

The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period.

Goodwill
Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

Goodwill was acquired as part of the Q Money Limited (QML) and Spectrum Financial Group Limited (SFG) acquisitions in 2017. Following the respective acquisitions, the businesses of QML and SFG have operated as a single business. Accordingly, they have been treated as a single "banking CGU" for the purpose of impairment testing. This represent the lowest level at which goodwill is monitored for internal management purposes. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the banking CGU is determined as the higher of fair value less cost of disposal and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the forecast period.

Management estimates discount rates using pre-tax rate that reflects the current market assessment of the time value of money and the specific risks associated with the asset for which the future cash flow estimates have not been adjusted. The rate used to discount the forecast cash flows for the banking CGU's are based upon the CGU's weighted average cost of capital ("WACC") of 15.64%.

The Group prepared cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next six years. For the purpose of the value in use calculation the management forecasts were extrapolated into perpetuity using a growth rate of 2.2%, representing the expected long-run rate of inflation in the UK. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. The Group used budgets for the next six years (rather than five) as they believe the expected long-run rate of inflation in the UK does not reflect the expected growth rate.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. Based on the value in use a reduction of revenue each year of 25.6% would result in an impairment at 31 December 2017. An increase in the WACC to greater than 20% would result in an impairment at 31 December 2017. Based on the sensitivity analyses, the Group has determined that there are no reasonably possible changes to the key assumptions which would result in the carrying value of the CGU exceeding its carrying value at 31 December 2017.

12. Investments

Company - Shares in subsidiary undertakings	2017	2016
	£	£
Cost	11,243,460	1,260,857
Additions	18,211,674	9,982,603
At 31 December	29,455,134	11,243,460
Provisions for diminution in value		
At 31 December	-	-
Net Book Value		
At 31 December	29,455,134	11,243,460

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	Dormant
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
Q Money Limited	England and Wales	Ordinary	100	Trading
Q Technology Limited*	England and Wales	Ordinary	100	Dormant
Q Money One Limited*	England and Wales	Ordinary	100	Trading
Spectrum Financial Group Limited	England and Wales	Ordinary	100	Trading
Spectrum Card Services Limited*	England and Wales	Ordinary	100	Trading
Spectrum Payment Services Limited*	England and Wales	Ordinary	100	Trading
Red 88 Limited Co*	England and Wales	Ordinary	100	Dormant

* Share capital held indirectly

The registered office address of all subsidiary undertakings is 3rd Floor Thames House, Vintners' Place, 68 Upper Thames Street, London, EC4V 3BJ, England.

Acquisition of subsidiaries
See accounting policy in note 3.2.

(i) Q Money Limited ("Q Money Group")
On 19 January 2017, the Group acquired the entire ordinary share capital of Q Money Limited. Q Money Limited has two wholly owned subsidiaries (Q Money One Limited and Q Technology Limited).

Acquiring the Q Money Group and its E-money licence allows the Group to launch a card via a MasterCard Prepaid Issuing Licence and to enhance the Group's payment infrastructure through direct membership of other payment networks. Q Money gained a Mastercard Issuing Licence in December 2017 and so, where appropriate, Group prepaid card programmes will be bought in-house to deliver significant cost savings.

The initial consideration payable for the acquisition was £425,000, satisfied by £110,000 payable from existing cash and by the issue of 724,136 new ordinary shares of 1p each in the Company (the "Initial Consideration Shares") at an issue price of 43.5p. Further contingent consideration of up to £825,000 is subject to the achievement of certain performance milestones, and will be satisfied by the issue of new ordinary shares of 1p each in the Company at an issue price of 43.5p (fixed market share price at acquisition date). Should the share price increase, actual consideration paid would increase.

In order to ensure that the contingent consideration was measured at fair value, adjustments in relation to probability factors and time value of money were made as appropriate. The contingent consideration performance milestones are split into three tranches. The probability used to fair value trance one and two of £250,000 each was 50% in 12 months, 20% in 18 months and 30% not payable at all. The probability used to fair value tranche three of £325,000 was 50% in 30 months, 20% in 36 months and 30% not payable at all. The fair value of all the tranches was determined by discounting the consideration by an after tax cost of debt of 3.62%. The fair value of contingent consideration recognised was £543,172, which was made up of £168,036 for both tranche one and two and £207,100 for tranche three.

For the period post acquisition to 31 December 2017, Q Money Group incurred a loss after tax of £20,522. This loss includes a £11,109 charge for intercompany loan interest payable to the parent Company, which eliminates on Group consolidation. If the acquisition occurred on the 1 January 2017, the loss after tax contributed to the Group would have been £18,975.

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

	£
Cash	110,000
Share consideration	314,999
Contingent consideration	543,172
Total consideration transferred	**968,171**

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

	£
E-money licence	233,000
Cash	335
Trade and other receivables	350,000
Trade and other payables	(354,079)
Deferred tax liabilities	(41,105)
Total identifiable new assets acquired	**188,151**

The valuation techniques used for measuring the fair value of the E-money licence are covered in note 3.25(ii)(a). Based on the valuation of the E-money licence and enacted UK corporation tax rates a deferred tax liability of £41,105 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows.

	£
Consideration transferred	968,171
Fair value of identifiable net assets	188,151
Goodwill	**780,020**

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

(ii) Spectrum Financial Group Limited ("CardOne Banking")
On 25 August 2017, the Group acquired the entire ordinary share capital of Spectrum Financial Group Limited. Spectrum Financial Group Limited has three wholly owned subsidiaries (Spectrum Card Services Limited, Spectrum Payment Services Limited and Red 88 Limited).

Acquiring CardOne Banking provided the Group with access to key components of digital banking technology and payment infrastructure connectivity allowing the Group to fast track its push into offering digital banking services to the small to medium sized enterprise market. In addition, with the acquisition, the Group will be able to achieve greater scale and turnover, buyer-specific synergies and cross selling opportunities.

The initial consideration payable for the Acquisition was £15,000,000, satisfied by £12,817,501 payable in cash (raised during the 24 August 2017 share issue) and by the issue of 3,762,930 new ordinary shares of 1p each in the Company (the "Initial Consideration Shares") at an issue price of 58p (fixed market share price at start of the share capital raise), equating to £2,182,499. As per the Companies Act 2006, section 612, for any shares issued as part of an acquisition merger relief is obtained with the difference between the market price of the shares and the nominal value of the shares taken to a merger reserve. The market price for the Group's shares on the date of acquisition was 72p resulting in the Group recording additional share consideration of £526,810. Further consideration after working capital adjustments of £1,602,730 was paid in cash on the 10 November 2017 using the acquired cash available in CardOne Banking.

For the period post acquisition to 31 December 2017, CardOne Banking contributed revenue of £1,896,470 and profit after tax of £250,223 to the Group's results. If the acquisition occurred on the 1 January 2017 revenue of £5,415,114 and profit after tax of £725,872 would have been contributed to the Group's results.

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

	£
Cash	12,817,501
Share consideration	2,709,310
Further cash consideration	1,602,730
Total consideration transferred	**17,129,541**

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

	£
Intangibles	4,480,979
Property, plant and equipment	30,783
Inventories	7,873
Trade and other receivables	80,610
Cash	1,702,635
Trade and other payables	(563,388)
Deferred tax liability	(792,440)
Total identifiable new assets acquired	**4,947,052**

The valuation techniques used for measuring the fair value of the intangibles are covered in note 3.25(ii). Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £792,440 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows.

	£
Consideration transferred	17,129,540
Fair value of identifiable net assets	4,947,052
Goodwill	**12,182,489**

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

13. Inventories

Group	**2017**	**2016**
	£	**£**
Finished goods	199,747	229,905

The Group's inventories comprise stock of cards.

14. Trade and other receivables

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Trade receivables	2,419,594	1,922,977	-	-
Amounts due from Group undertakings	-	-	13,212,504	-
Other receivables	515,063	768,285	-	-
Prepayments and accrued income	845,111	310,140	-	-
	3,779,768	3,001,402	13,212,504	-

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.

15. Cash and cash equivalents

Group	**2017**	**2016**
	£	**£**
Cash at bank	51,950,729	8,523,985

Included in cash and cash equivalents at 31 December 2017 was £34,147,666 of customer funds (2016: £5,022,092).

16. Share capital

Group and Company	**2017**	**2016**
	£	**£**
Authorised, issued and fully paid up capital		
155,368,259 ordinary shares of £0.01 each	1,553,682	1,031,160

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 issues:

Date of Issue	**No Shares Issued**	**Price per share**	**Gross value of shares issued**	**Nominal Value of shares issued**	**Costs of share issue**	**Merger Reserve**	**Share Premium**
19th January 2017	724,136	£0.435	£314,999	£7,241	-	£307,758	-

24th August 2017	47,765,154	£0.580	£27,703,789	£477,652	£1,541,641	-	£25,684,497
24th August 2017	3,762,930	£0.720	£2,709,310	£37,629	-	£2,671,680	-
Total	52,252,220		£30,728,098	£522,522	£1,541,641	£2,979,438	£25,684,497

All of the shares issued on the 19th January 2017 were issued as consideration for Q Money Limited (note 12(i)). Of the shares issued on 24th August 2017, 3,762,930 shares were issued as consideration for Spectrum Financial Group Limited (note 12(ii)). The remainder of shares were issues in cash.

As per the Companies Act 2006, section 612, for any shares issued as part of an acquisition merger relief is obtained with the difference between the market price of the shares and the nominal value of the shares taken to a merger reserve. The market price for the Group's shares on the date of acquisition was 72p resulting in the Group recording additional share consideration of £526,810. This amount was recognised in the movements in merger reserves in equity.

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.

17. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Trade payables	36,988,512	6,803,255	-	-
Amounts owing to Group undertakings	-	-	2,074,285	234,038
Taxation and social security	383,446	130,368	-	-
Accruals and deferred income	1,178,546	580,598	-	19,500
	38,550,504	7,514,221	2,074,285	253,538

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Current	38,550,504	7,514,221	2,074,285	253,538

18. Derivative financial assets and financial liabilities

18.1 Derivative financial assets

	Fair Value	Notional Principal	Fair Value	Notional Principal
Group	**2017**	**2017**	**2016**	**2016**
	£	**£**	**£**	**£**
Foreign exchange forward contracts	303,775	21,530,930	223,884	10,238,079
Total financial instruments at fair value	303,775	21,530,930	223,884	10,238,079

18.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

	Fair Value	Notional Principal	Fair Value	Notional Principal
Group	**2017**	**2017**	**2016**	**2016**
	£	**£**	**£**	**£**
Foreign exchange forward contracts	145,205	21,366,917	147,957	10,169,959
Total financial instruments at fair value	145,205	21,366,917	147,957	10,169,959

19. Financial instruments

The Group's financial instruments comprise cash, foreign exchange forward contracts and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group. In common with other businesses, the Group is exposed to the risk that arises from its use of financial instruments. The Group does not deal in any financial instrument contracts for its own benefit. 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:

Group	**2017**	**2016**
	£	**£**
Financial instruments held at amortised cost		
Cash and cash equivalents	51,950,729	8,523,985
Trade and other payables	(38,550,504)	(7,514,221)
Trade and other receivables	3,779,768	3,001,402

	2017	**2016**
	£	**£**
Financial instruments held at fair value through profit or loss		
Derivative financial assets - Forward foreign exchange contracts	303,775	223,884
Derivative financial liabilities - Forward foreign exchange contracts	(145,205)	(147,957)

Trade and other payables generally have a maturity of less than one month.

Forward foreign exchange contracts fall into level 2 of the fair value hierarchy as set out in note 3.25(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 2017.

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:

2017	Current and not impaired	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Individually impaired	Total
Group	£	£	£	£	£	£
Trade and other receivables	3,779,768	-	-	-	-	3,779,768
Derivative financial assets	123,055	56,692	124,028	-	-	303,775

2016	Current and not impaired	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Individually impaired	Total
Group	£	£	£	£	£	£
Trade and other receivables	3,001,402	-	-	-	-	3,001,402
Derivative financial assets	223,884	-	-	-	-	223,884

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.

2017	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	38,550,504	-	-	-	38,550,504
Derivative financial liabilities	76,330	22,178	46,697	-	145,205

2016	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	7,514,221	-	-	-	7,514,221
Derivative financial liabilities	18,959	57,292	71,706	-	147,957

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.. The Group has no of borrowings so 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 liabilities. The largest currency liabilities are created on entering into forward foreign currency transactions.

As at 31 December 2017, the Group is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held (2016: £nil).

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

31 December 2017	Loans and Receivables	Other financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	51,950,729	-	51,950,729
Trade and other receivables	3,779,768	-	3,779,768
	55,730,497	**-**	**55,730,497**
Financial liabilities not measured at fair value			
Trade and other payables	-	38,550,504	38,550,504
	-	**38,550,504**	**38,550,504**

31 December 2016	Loans and Receivables	Other Financial Liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	8,523,985	-	8,523,985
Trade and other receivables	3,001,402	-	3,001,402
	11,525,387	**-**	**11,525,387**
Financial liabilities not measured at fair value			
Trade and other payables	-	7,514,221	7,514,221
	-	**7,514,221**	**7,514,221**

All financial instruments are classified as level 3 financial instruments in the fair value hierarchy, with the exception of Derivative financial assets and liabilities 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.

FairFX PLC, a wholly owned subsidiary, is subject to the following externally imposed capital requirements:

- 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.

Other than below, since its incorporation, the parent Company has complied with these requirements.

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

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 2017, there were a number of share based payment transactions within the Group.

These movements are disclosed within the tables below:

Date Granted	Exercise price (£)	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	At 31 December 2017
		Number	Number	Number	Number	Number
22/07/2014	0.07	200,000	-	-	-	200,000
22/07/2014	0.22	447,750	-	-	-	447,750
22/07/2014	0.36	4,113,939	-	-	(50,000)	4,063,939
22/07/2014	0.58	120,000	-	-	-	120,000
22/07/2014	1.16	120,000	-	-	-	120,000
22/07/2014	1.74	120,000	-	-	-	120,000
28/09/2016	0.30	461,111	-	-	-	461,111
28/09/2016	0.30	461,111	-	-	-	461,111
28/09/2016	0.30	461,111	-	-	-	461,111
01/12/2016	0.27	100,000	-	-	-	100,000
01/12/2016	0.27	100,000	-	-	-	100,000
01/12/2016	0.27	100,000	-	-	-	100,000
18/01/2017	0.44	-	16,667	-	-	16,667
18/01/2017	0.44	-	16,667	-	-	16,667
18/01/2017	0.44	-	16,667	-	-	16,667
Total number of options		6,805,022	50,001	0	(50,000)	6,805,023

The above share options issued in FairFX Plc have been granted to both Directors and employees of the Group. At 31 December 2017, there were unexercised share options amounting to 4.38% (2016: 6.60%) of the Company's total issued shares. Of the above options 5,150,222 (2016: 5,150,222) have been granted to Directors of the Company, with an additional 1,504,800 (2016: 904,800) having been granted to an individual who is director of a wholly owned subsidiary within the Group.

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant. Details of the inputs made into that model are disclosed in the table below.

	At 1 January 2017	**Granted during year**	
Weighted average share price (£)	0.39	0.62	
Weighted average exercise price (£)	variable	variable	a
Expected volatility	36.4%	38.6%	b
Expected option life in years	5.3	9.1	
Risk-free rate	0.10%	0.10%	
Expected dividends	none	none	
Fair value of the options granted (£)	variable	0.20	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. No shares were exercised in the year ending 31 December 2017.
b. Expected volatility has been determined on the share price from date of admission up to 31 December in the year the options were granted.
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 (£)**
22/07/2014	0.07	0.28
22/07/2014	0.22	0.20
22/07/2014	0.36	0.12
22/07/2014	0.58	-
22/07/2014	1.16	-
22/07/2014	1.74	-
28/09/2016	0.30	0.13
01/12/2016	0.27	0.11
18/01/2017	0.44	0.20

The total fair value of the options is £781,383 (2016: £668,422). The charge expensed to the statement of comprehensive income is £112,961 (2016: £1,001). During the year the Group recognised a £511,912 deferred tax asset in relation to unexercised share options. Of this amount £148,463 was recognised in the current year's tax expense and £363,449 was recognised to equity.

21. Financial commitments

As at 31 December 2017 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	
	2017	**2016**
	£	**£**
Not later than one year	341,597	290,760
Later than one year and not later than five years	1,312,297	1,414,768
	1,653,894	1,705,528

The Group signed a lease on its London office premises on 13th November 2016 at an annual rental of £290,760 (value added tax (VAT) inclusive). The lease runs until 12th November 2022.

The Group's lease on its Chester office premises expires on 17th April 2018. The Group is in the closing stages of negotiating a new lease agreement to include a larger area of the existing premises. The lease is expected to take effect from 18 April 2018 at an annual VAT inclusive rental of £64,068 increasing to £76,882 in the second year and £89,695 in the third year. The lease is expected to run until 17 April 2021.

22. Related party transactions

Key management personnel

Key management who are responsible for controlling and directing the activities of the Group comprise the executive Directors, the Non-Executive Directors and senior management.

The key management compensation is as follows:-

	2017	**2016**
	£	**£**
Salaries, fees and other short-term employee benefits	1,177,629	902,939

A former Q Money Limited and a former Spectrum Financial Group Limited shareholder joined the key management personnel when those businesses were respectively acquired.

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 2017.

23. Ultimate controlling party

Since 25 August 2017 no party has held a controlling interest in FairFX Group Plc and as such the Directors consider FairFX Group Plc to be the ultimate controlling party.

24. Post balance sheet events

On 20th February 2018, the Group acquired the entire ordinary share capital of City Forex Limited. The initial consideration payable for the acquisition was £5,250,000, paid from existing cash. Further consideration of up to £750,000, payable from existing cash may be payable on 31 October 2018 subject to any completion accounts adjustment being applied and any claims under the warranties and indemnities.

The initial accounting for the business combination is incomplete and as such the Group has not disclosed the fair value of consideration transferred, the fair value of assets acquired and liabilities assumed or the goodwill arising from the acquisition. The valuation techniques used for measuring the fair value of material assets acquired are yet to be determined.