RNS Number : 2129X
FAIRFX Group PLC
26 April 2019

FairFX Group plc

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

Final results for the year ended 31 December 2018

Strong growth delivered alongside investment in technology

Momentum continues into 2019

FairFX, the e-banking and international payments group, is pleased to announce its audited full year results for the year ended 31 December 2018.

Financial highlights:

- Group turnover(1) in excess of £2.3 billion (2017: £1.1 billion), an increase of 111% (55% on like-for-like basis*)
- Group revenue of £26.1 million (2017: £15.5 million), an increase of 69% (39% on like for like basis*)
- Gross profit of £20.5 million (2017: £11.9 million), an increase of 60% (40% on a like for like basis*)
- Adjusted EBITDA(2) of £7.51 million (2017: £0.95 million), an increase of over 680%
- Adjusted PBT(3) of £6.79 million (2017: £0.90 million), an increase of over 650%

**Excluding the effect of the acquisition of City Forex in February 2018*

(1) *Turnover is measured by gross value of currency transactions sold of £1,783.7 million plus gross value of deposits into bank accounts of £585.5 million for a total of £2,369.2 million*
(2) *Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges, acquisition-related expenses, share-based payments, foreign exchange gains/losses on collateral posted, re-organisation costs and non-recurring items.*
(3) *Adjusted PBT is profit before tax, acquisition-related expenses, amortisation of acquisition intangibles, share-based payments, foreign exchange gains/losses on collateral posted, re-organisation costs and non-recurring items.*

Operational highlights:

- Acquisition of the City Forex business in February 2018 adding additional dealing and physical cash scale
- Successful integration of City Forex payments, settlement and accounting platform into Group
- Surpassed 1 million customers
- Commenced self-issuance of cards under Mastercard direct membership
- Significant investment into technology platforms to underpin continued growth and diversification
- Commercial terms agreed to gain access to US markets for payments and corporate cards

Q1 2019 highlights:

- Group turnover of £620.5 million (2017: £467.2 million), an increase of 33%
- Group revenue of £7.0 million (2017: £4.9 million), an increase of 43% and ahead of Board's expectations
- Growth across all segments over the same period in 2018
- Achieved direct access to Faster Payments incorporating real-time gross settlement (RTGS) accounts at Bank of England underpinning significant developments in customer offering
- Ahead of plans for supply chain rationalisation and improved commercial terms yielding wider profit margins

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

"2018 was a transformational year in the evolution of the Group. We continued our strong growth, both organic and via acquisition, and combined this with significant investment in our people and technology to lay the foundations for our ongoing expansion. The addition of the City Forex business in February provided both an increase in revenues and a payments platform that combines a full front-to-back process which is now yielding efficiencies and capacity across the whole Group.

"The Group has enjoyed a strong start to 2019, with the first quarter delivering a further jump in turnover along with improved margins helped by supply chain rationalisation and improved commercial terms. The investments in technology we made in 2018 are already bearing fruit in 2019, just one example being the granting of Bank of England settlement accounts and direct access to the Faster Payments scheme. Our technology platforms are now enabling us to iterate our product suites rapidly in terms of both improved customer experience and functionality. Against this backdrop, the Board is confident in achieving expectations for the full year."

For further information, please contact:

FairFX Group plc — +44 (0) 20 7778 9308
Ian Strafford-Taylor, CEO

Cenkos Securities plc — +44 (0) 20 7397 8900
Max Hartley / Callum Davidson
Nick Searle

Canaccord Genuity — +44 (0) 20 7523 8150
Bobbie Hilliam / David Tyrrell
Alex Aylen

Yellow Jersey PR — +44 (0) 7747 788 221
Charles Goodwin — +44 (0) 7769 325 254
Joe Burgess
Annabel Atkins

About FairFX Group
FairFX is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior customer experience (CX) and low-cost operating model. Our business enables personal and business customers to make easy, low-cost payments both domestically and 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 35

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 money movement 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 platform and prepaid card. This service can yield significant savings on a Corporate's expenses and procurement both domestically and overseas, through better controls and improved transparency. The platform also streamlines the downstream administrative processes and integrates into accounting software, thus saving costs. FairFX offers retail and business bank accounts with all the functionality you would expect from a bank, namely faster payments, BACS, direct debits, international payments and a debit card.

Chairman and Chief Executive Officer's statement

We are delighted to report a year of strong performance in line with our strategy, combined with further investment in technology to support future growth.

Trading performance

2018 was a milestone year for FairFX: our turnover for the year more than doubled to exceed £2 billion, and in August we passed the 1 million customer mark. Turnover - measured by the gross value of currency transactions sold, plus the gross value of customer funds deposited into bank accounts - reached £2.37 billion, in line with our expectations and represented an increase of 111% on the prior year (2017: £1.12 billion). Excluding the effect of the acquisitions of City Forex in February 2018, turnover grew by 55%.

Group revenue increased by 68.8% to £26.1m (2017: £15.5m). On a like for like basis (excluding the effect of the acquired City Forex) the increase was 39.4% to £21.5m. The percentage growth in revenues was lower than the corresponding growth in turnover, as a key part of the growth stemmed from International Payments (increase of 69%) and Corporate Cards (increase of 31%), which have lower revenue margins than retail cards. Revenue growth overall was underpinned by the Group adding 315,000 new UK-domiciled customers during 2018, bringing the total to over 1 million.

Gross profit grew by 72% to £20.5 million (2017: £11.9 million) a higher percentage growth than the revenue line. Excluding the City Forex acquisition in February, gross profit was £16.8m (an increase of 40.4%). This reflects margin enhancements delivered by the success of our strategy of supply chain rationalisation and improved management of direct costs, which is continuing into 2019. Accordingly, operating expenses increased by only 40% relative to the previous year, materially lower than the percentage increase in revenues

Adjusted EBITDA was £7.5 million for the 12-month period (2017: £1.0 million) an increase of 687%. The growth in EBITDA reflects the operational gearing that the Group now has with a significant retention of revenue growth flowing down to profits.
The statutory PBT of £2.1 million (2017: £0.2 million) is a significant uplift on the prior year and follows a similar theme, deriving from tremendous growth in revenue both organically and through acquisition whilst driving down supply chain costs and removing duplication where appropriate from overheads. Similarly, the adjusted PBT of £6.8 million (2017: £0.9million) demonstrates our operational gearing and ability to take advantage of further growth without needing to add significantly to overheads. Basic earnings per share increased to £1.68 (2017: £0.37) as a result of the significant increase in profitability.

Management has presented adjusted EBITDA and adjusted PBT because it monitors these performance measures at a consolidated level and it believes that they are more relevant to an understanding of the Group's sustainable financial performance than statutory profit figures. Adjusted EBITDA and adjusted PBT are calculated by adjusting statutory net profit as disclosed in the table below. Adjusted EBITDA and adjusted PBT are not defined performance measures in IFRS. The Group's definition of adjusted EBITDA and adjusted PBT may not be comparable with similarly titled performance measures and disclosures by other entities.

Adjusted EBITDA/PBT Calculation	**2018**	**2017**
	£	£
Statutory Net Profit	**2,617,666**	**447,136**
Amortisation of acquisition intangibles	794,959	220,325
Other amortisation charges	523,690	792
Depreciation costs	200,123	51,727
Tax credit	(538,343)	(217,687)
EBITDA	**3,598,095**	**502,293**
Acquisition-related costs (1)	297,484	269,769
Share based payments	53,765	112,961
Foreign exchange loss	20,274	68,186
Development costs (2)	1,404,962	-
Restructuring costs (3)	1,048,119	-
Marketing rebrand (4)	590,034	-
Recruitment costs (5)	499,617	-
Adjusted EBITDA	**7,512,350**	**953,208**
Other amortisation charges	(523,690)	(792)
Depreciation costs	(200,123)	(51,727)
Adjusted PBT	**6,788,537**	**900,690**

(1) Acquisition-related costs relate to the acquisition of subsidiaries (note 12) during the year. These include due diligence services, accounting services, legal services and stamp duty.
(2) Development costs relate to incremental, non-recurring staff costs incurred to support the substantial software development undertaken in the year.
(3) Restructuring costs relate to one-off non-recurring costs incurred including property reorganisation, staff costs and costs to cancel contracts (no longer required by the Group as a result of acquisition of subsidiaries).
(4) Marketing rebrand costs relate to the one-off non-recurring costs attributable to the Group rebranding. These consist of consultant services, legal services and staff costs.
(5) Recruitment costs relate to one-off costs incurred in the significant scaling up the Group's workforce.

Overall, the Group balance sheet remains healthy, with net assets of £38.3 million (2017: £35.0 million). Non-current assets rose to £30.1 million (2017: £18.3 million) which is due to the combination of fair value accounting on the acquisition of City Forex, where intangible assets and goodwill totaled £5.0 million, and the significant increase in capital expenditure of £6.4 million (2017: £0.3 million). As a FinTech business, the Group has been investing in its platforms and infrastructure since its inception. Due to the substantial growth, acquisitions of two new businesses in two years (each with different technology stacks) and increased competition in the markets in which we operate we have significantly increased investment into technology in 2018 and will continue to do so. As we have communicated previously, we recognised in 2017 that one of the core strategies for our future success and growth was to invest more in our platform and products. Therefore, in keeping with our peers and within guidelines of accounting practice we are now adopting the same policy of capitalisation of investment into internally generated software which can then be depreciated over the asset-life of the products and platforms that we create. In 2018 this amounted to £5.2m of the total of £6.4 million of capital expenditure, which represents the combined investment across the whole Group.

The Group's cash position at year-end was £7.9 million (2017: £17.8 million - re-stated from £52.0 million by de-recognising cash held on behalf of customers) at the end of 2018. The Directors believe that this reporting of cash and cash equivalents gives a more informed view of the Group's cash position. The de-recognition of the cash held on behalf of customers also impacted the corresponding liability and so trade and other payables in 2017 was re-stated from £38.6m to £4.4 million. With regards to the decrease in cash year on year, this was due primarily to the acquisition of City Forex for £6.0 million cash, an increase in capital expenditure described above and an increase in collateral requirements with financial institutions in the supply chain to £1.6 million (2017: £0.9 million).

External market trends

Our performance in 2018 is particularly commendable considering the challenges in the external market and this has demonstrated the strength and durability of the Group. On the consumer side, retail travel cash and prepaid card sales were impacted by the exceptionally hot summer in the UK, which suppressed demand for overseas holidays. The sustained weakness of Sterling in the context of the ongoing uncertainty in relation to Brexit also presented headwinds. In addition, there was strong competition in the retail market space from challenger brands offering discounted pricing to attract customer numbers. Despite these factors, performance for our retail products has held its own and with the investments made in the customer experience (CX) and back end operations, the retail travel money products are well placed for the future as we have seen in 2019 to date.

Corporate customer growth continues to be strong, underpinned by the continuing strength of our corporate expenses platform. This is a core, differentiating product for the Group and gives us an "entry product" into corporates from which we can sell other services, such as international payments and banking services. We will continue to expand our offering to Corporates during 2019 and have a strong development pipeline of new functionality and improved CX .

Strategy

The current business strategy took shape in 2017 when we recognised the need to invest more into our technology and prepare the business for the next phase of its growth. This investment was targeted to achieve three key components of the overall strategy, namely differentiation, efficiency and scale.

Differentiation

A key differentiating factor for the Group is the breadth of products that we can offer, comprising physical cash, prepaid travel solutions, a corporate expense management platform, international payments and, most recently, a bank-grade current account offering. We are also unique in offering this across both app-based and web-based platforms that work on all devices. Lastly, but crucially, we allow customers to "self-serve" but also to speak directly to FairFX experts if they want to transact with human interaction. This broad offering is underpinned by a technology platform that is much deeper than those of our competitors in terms of direct integration to underlying payment schemes. This gives us both operational and economic advantages which widen our differentiation. Our strategy has been to consolidate this already unique offering and augment it further by converging the products with the objective of a group-wide unified view of a customer combined with seamless CX for the customers to access any or all of the products via one user journey. We have made great strides in this area in 2018 and will be deploying more functionality that fits this strategy in 2019.

In addition, two years ago, concurrent with our commitment to invest more into our technology, we recognised we needed to differentiate FairFX from the increasing competition in the form of so-called challenger brands. A key part of this was the recognition that we needed to broaden our product suite to reduce our reliance of the foreign exchange sector, and the success of this strategy is reflected in the proportion of revenues derived from non-FX activities for the 2018 financial year, which reached 33%, compared to 22% in 2017 and 10% in 2016.

The acquisition of an e-money licence in 2017 was our first step towards increasing diversification in earnings by becoming a digital banking services provider. Subsequently, acquiring CardOneBanking in August of that year accelerated our plans in the sector. We identified that banking in general for the Corporate market, but particularly in relation to SME's, was still heavily under-served by the mainstream banks. Given the success of our Corporate Card platform, itself a predominantly non-FX product, we already had a strong presence in that market segment and our announced strategy was to develop better banking products for this customer profile. A key step on that journey was the launch of the *Fair Everywhere* business current account in June 2018, leveraging our expertise in international payments and our new banking capabilities. *Fair Everywhere* allows businesses to manage their day-to-day banking and international money transfers from a single current account to make global business banking easier, faster and cheaper than with traditional providers. In 2019, we will further enhance the customer experience (CX) of our banking platforms and add functionality to support larger corporate clients. In addition, we are exploring ways to add lending to our proposition, by using credit supplied by a third-party bank or credit provider direct to our customers under a Credit Broker licence. As such we will not be incurring any credit risk and the loans will not sit on our balance sheet.

We will also be adding further enhancements, both new functionality and improved CX, to our Corporate Expenses platform during 2019 to fuel its continued growth. These measures will ensure that our revenues from non-FX related activities will continue to grow in 2019 and beyond.

Efficiency

A core strand of our strategy centres on initiatives and investment to generate operational efficiencies, through increasing scale and bringing in-house selective parts of the supply chain with the aim of reducing our costs, enhancing quality, optimising risk and increasing our speed to market for new products.

Increasing efficiency requires building additional capabilities into our platforms and, as such, we have a dedicated platform engineering team adding functionality across the Group augmented by an API engineering team that provides the communication layer between back-end and front-end technologies and applications. An example of their success in bringing processes in-house was the extensive project to achieve access to real-time gross settlement (RTGS) accounts with the Bank of England and concurrent direct membership of the Faster Payments scheme, as announced in February 2019.

Gaining full membership status of Mastercard in December 2017 allowed us to issue our own cards rather than paying a third-party provider. In practice, this takes time to fully implement without extensive re-carding of current cards, but the process has begun by moving Cardone Banking cards to self-issuance in 2018. The ability to self-issue provides us with greater leverage over the existing supply chains and we have utilised this, together with continually streamlining the incumbent supply chain itself to improve margins in the Group's corporate expense platform and anticipate that we will have completed this in Q2 2019. Concurrently, we are improving the commercial arrangements we have in all other product streams and as such we expect further improvements in gross profit margins as the year progresses.

A key enabler for enhancing our efficiency was the acquisition in February 2018 of City Forex, which had undertaken travel currency operations for us since 2007 but also had a strong international payments business. In addition to bringing further scale in international payments and travel currency, the acquisition also enabled us to control the entire supply chain for the travel currency service. City Forex has three branches in central London (which currently continue to operate under that brand) and a proprietary system for processing both travel currency and international payments. The Group has taken this platform (MTS) and invested in it further by establishing an engineering team around it, such that it now provides a front-to-back integrated solution for international payments. The platform encompasses trade entry, settlements, reconciliation and direct integration into a general ledger which yield significant efficiencies and capacity for growth.

2018 saw continued investment in the CardOne business and platform, part of which came to fruition in February 2019, as mentioned above, with RTGS and direct membership of the UK Faster Payments Scheme (FPS). FPS is the fastest growing UK payment system and the only real-time 24/7 service that is in increasing demand from personal and business customers using both desktop and mobile applications. The FPS membership continues the Group strategy of streamlining the payment supply chain and will deliver lower payment processing costs, improved customer experience and facilitate product iteration. In addition, our membership of SWIFT has further reduced our reliance on third parties.

We are now able to offer retail and business bank accounts that include faster payments, BACs, direct debits, international payments and a debit card, and can create IBANs for customers with no other financial institution involved in the process, reducing cost per transaction.

We are also looking to integrate our internal operations by increasing the utilisation of our banking platform in Chester, which over time will become our operational hub for back end settlements to support all the card-based products and provide banking services to the Group such as processing faster payments.

Scale

A key goal in the payments industry is to maximise scale. The greater the scale of the business you process the lower the unit cost becomes and removal of sections of the supply chain become economically viable. Scale can be achieved both by organic growth and acquisitions.

To drive organic growth, one of our key strategies has been to invest in improving the CX of all our products. In the Corporate Platform this has manifested in us adding new features including multi-card top-up, a receipt upload functionality, VAT reporting and the ability to annotate expenses on-the-go via the app. These product enhancements significantly contributed to accelerated year-on-year growth rate of 31%. We also added functionality to the City Forex platform to improve the customer experience for international payments. Alongside our product development efforts, we are mindful to retain the element of human interaction in our customer support function. This is a source of differentiation for the Group, and we are proud that our high-quality customer service is recognised in our consistently excellent 5-star TrustPilot rating. In relation to our retail card product, the investment focus has been to improve the underlying platforms in 2018 so that we can iterate new products and improve CX quickly and consistently in 2019 and beyond.

A key element of our organic growth strategy is our ongoing work to identify and capitalise on the rich vein of cross-selling opportunities we have within the Group following the combination of three businesses in 18 months. We have established a dedicated cross-sale team within the Group identifying the key opportunities and implementing the necessary systems and CRM to maximise the potential. We have also scaled up our affiliate sales team and outbound sales efforts. Specifically, in the SME space, with over with 0.6 million businesses set up every year in the UK on average, there is promising growth potential from providing existing and new SME customers with current accounts, our business expenses solution and other ancillary services. In contrast to traditional banks, our lean cost base means that small businesses are an attractive segment for us, and we can offer customers a superior user experience at a lower cost due to our low-cost operating model.

To complement the measures above we have continued to maintain our marketing spend in 2018. The mix of spend has evolved to be less focussed on TV advertising and more in the digital and social arenas. We maintain strict controls over the ultimate cost per acquisition (CPA) of a customer to ensure profitability. However, we have improved our knowledge of our customer base over 2018 and have tailored our customer messaging accordingly to improve not only customer acquisition but also retention and re-activation. These measures, allied to the improved cross-selling initiatives described above, helped growth in 2018 and will drive future expansion in 2019.

To complement the organic growth initiatives outlined above, we have also looked to extend our addressable market by expanding our geographical presence. During the year we upgraded our FairFX Ireland entity in preparation for a full-service operation with an authorised payment institution (API) status. Working to provide our full suite of services out of the Irish subsidiary will have the added benefit of providing a natural hedge for all the potential outcomes of the Brexit process. For clarity, any outcome of Brexit, including a "no-deal" outcome, would not impact the ability of the Group to operate as we do currently because we are focussed on provision of services to UK customers and are not utilising any passporting of permissions within the EU at this time. At the end of 2018 we also made a significant step towards being able to service current demand from US citizens and businesses that we are not able to transact. Constrained by regulatory permissions, we had long been conscious of having to turn away transactions involving US citizens and businesses and so we are delighted to have entered a relationship with Metropolitan Commercial Bank, headquartered in New York City. The commercial agreement is expected to allow us to offer customers payment services across the United States. We are looking forward to servicing the latent demand for our services from US residents and entities, and, in the longer term, to evaluating options to develop a customer base in the United States in due course.

People and culture

We have grown from around 60 people 18 months ago to a team of 218 in 2018. This reflects a number of factors including organic growth, new businesses being brought into the Group and significant investment in our platforms resulting in more headcount in Engineering, Product and Design. Accordingly, during the year we invested in the key area of People Operations as we recognise how vital it is to have a working environment that is welcoming and inclusive. Success in this area yields an improved ability to hire and retain talent combined with a more motivated workforce. As we have grown we have put in place more formal processes covering people operations as a whole. These include the recently introduced weekly 'Highlights sessions' together with an open question forum to the Executive team, and bi-annual 'Base Camp' sessions to communicate with employees across the Group and "career camps" to help train managers in the Group on how to get the best from their people. In addition, we regularly monitor our employee engagement and we were pleased to receive an employee satisfaction score of 69.2% in our inaugural pulse survey in December and are working on areas identified for improvement.

Governance

Corporate governance is an important function of the Board and the respective committees. During the year the Board commissioned an external corporate governance advisor to carry out a corporate governance risk assessment. The Board is well advanced in implementing the advice of this assessment to further enhance governance and expects to complete the exercise by mid-2019.

In addition, during 2018 the Board adopted the Quoted Companies Alliance (QCA) corporate governance code which defines ten guiding principles to support the Group's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders. More details on the adoption of the QCA code can be found on the Company's website (www.fairfxplc.com)

Dividend

The Board does not recommend the payment of a dividend for 2018, since our capital allocation strategy at this stage is focused entirely on investing in the business to achieve our growth and efficiency objectives. However, the Board will continue to keep this under review.

Brexit Assessment

Business Model

The Group provides financial services to its customers, so no goods are supplied except for physical prepaid and debit card stock. All the Group's customers and primary suppliers are UK based so there is no material impact on cross border supplies of services or goods between the UK and the remaining members of the European Union (EU) post the UK leaving the EU. The Group holds regulatory licences that can be passported throughout the EU. The right to passport the regulatory licences to the remaining members of the European Union (EU) post the UK leaving the EU may be lost.

Revenue

To date, all FairFX revenues are derived from customers based in the UK and there are no current plans to launch into any other countries based in the European Union. There is therefore no regulatory impact on the current or near future revenue of FairFX due to the loss of regulatory passporting permissions to the EU. Clearly, any negative macro-economic effects of Brexit could impact the business, but the Group has a robust operation and revenue stream and hence the Board are confident in the prospects for the business regardless of the outcome.

Supply Chain

The Group does not import any goods from outside the UK and all the critical suppliers of services are provided by UK based suppliers. Therefore, no material impact is expected on the Group post Brexit in any of the deal scenarios.

Staff

The workforce is comprised of less than 10% EU nationals and with the UK government committing to providing right of work to existing EU nationals, no material impact is expected in any of the deal scenarios.

Marco-Economic Impact

The Group has stress tested the impact of various Brexit scenarios on the Group's 2019 business plans and concluded that with appropriate mitigations, there are no material negative impacts on the business model.

Outlook

Our strong performance to date would not have been possible without the hard work and dedication of the FairFX team, who we wish to thank on behalf of the Board.

The acquisitions we made combined with the significant investments into improved platforms and efficiency made in 2017 and 2018 have given the business a solid foundation upon which to grow. We have a compelling proposition for our corporate and retail customers, built on integrated services that are intuitive to use and competitively priced, and we will continue our investment programme to improve the customer experience and reinforce the strengths of our business.

2019 has started well as demonstrated by the performance in Q1, with turnover for the first 3 months of 2019 at £620.5 million (2018: £467.2 million), an increase of 32.8%. Growth has been driven by expansion in International Payments, up 37.9% to £323.7 million (2018: £234.7 million), and our Corporate Expenses platform, which climbed 36.5% to £46.6 million (2018: £34.1 million). Revenues have increased at an even faster pace, rising 43% to £7.0 million (2018: £4.9 million) demonstrating the success of our supply chain rationalisation. The agreement of commercial terms with Metropolitan Commercial Bank is expected to open up promising opportunities in the US market to complement our operations in the UK and drive further growth for the Group as the year progresses.

Against this background, the Board is confident of achieving expectations for the full year.

We are well capitalised, have a capable team and a clear strategy to continue to create value for our stakeholders, and are excited about the future.

John Pearson	**Ian Strafford - Taylor**
Chairman	**Chief Executive Officer**

25 April 2019 25 April 2019

	Note	2018 £	2017 £
Gross value of currency transactions sold	3.4	1,783,710,215	936,593,130
Gross value of currency transactions purchased	3.4	(1,763,246,570)	(923,028,865)
Revenue on currency transactions		20,463,645	13,564,265
Banking revenue		5,628,747	1,896,470
Revenue	4	**26,092,392**	**15,460,735**
Direct costs		(5,605,961)	(3,525,676)
Gross profit		**20,486,431**	**11,935,059**
Administrative expenses (excluding acquisition expenses)		(18,109,624)	(11,435,841)
Acquisition expenses		(297,484)	(269,769)
Profit before tax	5	**2,079,323**	**229,449**
Tax credit	8	538,343	217,687
Profit and total comprehensive income for the year		**2,617,666**	**447,136**
Earnings per share			
Basic	9	1.68	0.37
Diluted	9	1.64	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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.

The notes below form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017 (Restated*)	2018	2017
	Note	£	£	£	£
ASSETS					
Non-current assets					
Property, plant and equipment	10	941,826	137,580	-	-
Intangible assets and goodwill	11	27,107,873	17,649,128	-	-
Deferred tax asset	8	2,035,728	511,912	-	-
Investments	12	-	-	38,725,451	29,455,134
		30,085,427	18,298,620	38,725,451	29,455,134
Current assets					
Inventories	13	286,713	199,747	-	-
Trade and other receivables	14	7,150,750	3,779,768	4,907,704	13,212,504
Deferred tax asset	8	859,914	-	-	-
Derivative financial assets	18	1,181,892	303,775	-	-
Cash and cash equivalents	15	7,860,368	17,803,063	-	-
		17,339,637	22,086,353	4,907,704	13,212,504
TOTAL ASSETS		**47,425,064**	**40,384,973**	**43,633,155**	**42,667,638**
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	16	1,553,682	1,553,682	1,553,682	1,553,682
Share premium		35,858,770	35,858,770	35,858,770	35,858,770
Share based payment reserve		1,748,105	1,144,832	835,148	781,383
Merger reserve		8,395,521	8,395,521	2,979,438	2,979,438
Contingent consideration reserve		543,172	543,172	543,172	543,172
Retained earnings / (deficit)		(9,832,880)	(12,450,546)	240,954	(1,123,092)
		38,266,370	35,045,431	42,011,164	40,593,353
Non-current liabilities					
Deferred tax liability	8	1,543,894	673,661	-	-
		1,543,894	673,661	-	-
Current liabilities					
Trade and other payables	17	6,679,131	4,402,838	1,621,991	2,074,285
Deferred tax liability	8	356,713	117,838	-	-
Derivative financial liabilities	18	578,956	145,205	-	-
		7,614,800	4,665,881	1,621,991	2,074,285

TOTAL EQUITY AND LIABILITIES	**47,425,064**	**40,384,973**	**43,633,155**	**42,667,638**

***Refer to note 3.1**

The notes below form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 25 April 2019 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 2018

Group	**Share capital**	**Share premium**	**Share based payment**	**Retained earnings / (deficit)**	**Merger reserve**	**Contingent consideration reserve**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
At 1 January 2017	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
Profit for the year	-	-	-	2,617,666	-	-	2,617,666
Share based payment charge (note 20)	-	-	603,273	-	-	-	603,273
At 31 December 2018	**1,553,682**	**35,858,770**	**1,748,105**	**(9,832,880)**	**8,395,521**	**543,172**	**38,266,370**

Company	**Share capital**	**Share premium**	**Share based payment**	**Retained earnings / (deficit)**	**Merger reserve**	**Contingent consideration reserve**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
At 1 January 2017	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
Profit for the year	-	-	-	1,364,046	-	-	1,364,046
Share based payment charge (note 20)	-	-	53,765	-	-	-	53,765
At 31 December 2018	**1,553,682**	**35,858,770**	**835,148**	**240,954**	**2,979,438**	**543,172**	**42,011,164**

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.

The notes below form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

Group

	Note	**2018**	**2017 (Restated*)**
		£	**£**
Profit for the year		2,617,666	447,136
Cash flows from operating activities			
Adjustments for:			
Depreciation		200,123	51,727
Amortisation		1,318,649	221,117
Share based payment charge		53,765	112,961
Increase in deferred tax asset on share-based payment		549,508	-
(Increase) in trade and other receivables		(1,551,213)	(697,755)
(Increase) in derivative financial assets		(878,117)	(79,891)
(Increase) in deferred tax asset		(2,383,730)	(511,912)
Increase in trade and other payables		1,899,118	2,128,893
Increase in deferred tax liabilities		878,369	791,499
Increase / (decrease) in derivative financial liabilities		433,751	(2,752)
(Increase) / decrease in inventories		(86,966)	38,031
Net cash inflow from operating activities		3,050,923	2,499,054
Cash flows from investing activities			
Acquisition of property, plant and equipment		(670,827)	(83,266)
Acquisition of intangibles		(5,758,957)	(193,757)
Acquisition of subsidiary, net of cash acquired		(6,563,834)	(12,827,261)
Investment in subsidiary undertaking		-	(1,255,748)
Net cash used in investing activities		(12,993,618)	(14,360,032)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	27,703,789
Costs directly attributable to share issuance		-	(1,541,641)
Net cash from financing activities		-	26,162,148
Net increase / (decrease) in cash and cash equivalents		(9,942,695)	14,301,170
Cash and cash equivalents at the beginning of the year		17,803,063	3,501,893**
Cash and cash equivalents at end of the year	**15**	**7,860,368**	**17,803,063**

* Refer to note 3.1
** This balance was previously reported as £8,523,985 however this has been adjusted by £5,022,092 and restated to £3,501,893.

The notes below form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

Company

	2018	**2017 (Restated*)**
	£	**£**
Profit / (loss) for the period	1,364,046	(239,159)
Cash flows from operating activities		
Adjustments for:		
Share based payment charge	53,765	112,961
(Increase) in trade and other receivables		(2,489,078)

	(965,517)	
(Decrease) / increase in trade and other payables	(452,294)	2,615,276
Net cash inflow / (outflow) from operating activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at end of the period	**-**	**-**

* Prior year cash flows from investing and financial activities have been restated to Nil and disclosed as cash flows from operating activities. This restatement has occurred due to the fact the Company does not have a bank account and all cash flow activities are funded by its subsidiaries.

The notes below form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 a financial technology (fintech) provider, primarily providing foreign currency and banking services. In addition, the Group has a Bureau de Change retail network in the City of London.

The Company and Group's consolidated financial statements for the year ended 31 December 2018 were authorised for issue on 25 April 2019 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 2018.

Adoption of new and revised accounting standards and interpretations:

- IFRS 2 *Classification and Measurement of Shared-based Payment Transactions (Amendments)*
- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the new applicable standards has not had a significant impact on the financial reporting of the Group. Additional disclosures have been provided regarding the application of IFRS 15 (see A) and IFRS 9 (see B)

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.

A detailed review exercise has taken place and the Group has concluded that the introduction of the new standard will not result in any changes to the Group's accounting policies on revenue recognition.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group has reviewed income from Deliverable FX trades, Currency cards and Banking operations and concluded that the implementation of IFRS 15 has not result in any changes to the Group's accounting policies on revenue recognition.

B. IFRS 9 Financial Instruments

IFRS 9 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*

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. As there were no impairment losses reported in the statement of profit or loss and OCI for the year ended 31 December 2017, there is no requirement to reclassify any impairment losses recognised under IAS 39, from 'other expenses' to 'impairment loss on trade'. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments*: *Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

(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.

(ii) 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 transition had no impact on the classification and measurement of financial assets and liabilities.

(iii) Impairment - Financial instruments
The Group's financial instruments measured at amortised cost falling within the scope of the standard are (i) trade and other receivables, (ii) cash and cash equivalents and (iii) trade and other payables.

The Group's financial instruments held at fair value through profit and loss are (i) Derivative financial assets - forward foreign exchange contracts and (ii) Derivative financial liabilities - Forward foreign exchange contracts.

(iv) Impairment - Financial Assets
IFRS 9 offers two approaches for measuring and recognising the loss allowance:

General approach: grades Financial Assets into three stages according to their credit quality. The general approach should be applied for all financial assets subject to impairment, except for trade receivables or contract assets (IFRS 15) without significant financing component for these assets simplified approach should be applied.

Simplified approach: no need to determine the stage of a financial asset, because a loss allowance is recognised always at a lifetime expected credit loss.

Financial assets, measured at amortised cost, are assessed for the expected credit loss using the simplified approach.

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

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.

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 is evaluating the following two transition options:

Retrospective application with the cumulative effect of initially applying IFRS 16 recognised in equity by recognising the lease liability at the date of initial application and:

- o Option a. Measuring the right of use asset as if IFRS 16 had always been applied using the discount rate
- o Option b. Measuring the right of use asset being equal to the lease liability.

The choice of transition approach will impact on the Group's net assets and income statement following adoption.

The results below set out the indicative impact on the date of initial implementation (1 January 2019), the year ended 31 December 2019 and end of the first period of implementation (31 December 2019) for the two transition options explained above at uniform discount rate of 15% (£'000s):

	Option a	**Option b**
Right of Use Asset: 01/01/2019	1,934	2,113
Lease Liability: 01/01/2019	(2,113)	(2,113)
Retained Earnings: 01/01/2019	(179)	0

The Directors are to decide during the year on the appropriate option to adopt.

D. Other standards

	Effective Dates *
IFRIC 23 *Uncertainty over Income Tax Treatments*	01 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	01 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	01 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	01 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards	
Amendments to References to Conceptual Framework in IFRS Standards	
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 International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and AIM Regulations. The financial statements are presented in sterling, the Company 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 3.24.

Prior year adjustment
Customer cash is held in the Group's bank accounts and principally represents funds held in CardOne payment accounts or funds credited for the purposes of International Payments. The Group has considered the accounting for cash held on behalf of customers. In previous years, cash held on behalf of customers has been recognised on balance sheet, with an equal liability to the customer.

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customer. As a result, the Group no longer accounts for customer cash as an asset and, similarly, no longer holds a liability to the customer. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly. The impact on the Group's financial statements in the prior year was as follows:

2017	**As Stated**	**Effect of restatement**	**Restated**
Group	**£**	**£**	**£**
Statement of financial position			
Cash and cash equivalents	51,950,729	(34,147,666)	17,803,063
Trade and other payables	(38,550,504)	34,147,666	(4,402,838)
Statement of cash flows			
(Decrease) / increase in trade and other payables	31,254,467	(29,125,574)	2,128,893
Net cash (outflow) / inflow from operating activities	31,624,628	(29,125,574)	2,499,054
Net increase / (decrease) in cash and cash equivalents	43,426,744	(29,125,574)	14,301,170
Cash and cash equivalents at the beginning of the year	8,523,985	(5,022,092)	3,501,893
Cash and cash equivalents at end of the year	51,950,729	(34,147,666)	17,803,063

2016	**As Stated**	**Effect of restatement**	**Restated**
Group	**£**	**£**	**£**
Statement of financial position			
Cash and cash equivalents	8,523,985	(5,022,092)	3,501,893
Trade and other payables	(7,514,221)	5,022,092	(2,492,129)
Statement of cash flows			
(Decrease) / increase in trade and other payables	3,050,296	(2,144,578)	905,718
Net cash (outflow) / inflow from operating activities	(166,137)	(2,144,578)	(2,310,715)
Net increase / (decrease) in cash and cash equivalents	4,908,929	(2,144,578)	2,764,351
Cash and cash equivalents at the beginning of the year	3,615,056	(2,877,514)	737,542
Cash and cash equivalents at end of the year	8,523,985	(5,022,092)	3,501,893

There was no impact on the financial statements of the Company for the prior year.

Going Concern
Details of the Group's business activities, results, cash flows and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the strategic report. Certain Group companies are regulated by Financial Conduct Authority and perform annual capital adequacy assessments. Consideration was given to whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and the effectiveness of risk management policies. Furthermore, in March 2019, the Group received £2 million in equity through the exercise of share warrants. The Board therefore 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

The implementation of IFRS 15 has not result in any changes to the Group's accounting policies on revenue recognition (note 2).

(i) Deliverable FX trades (international payments and travel cash including currency exchange bureaus)
Revenue is recognised when a binding contract is entered into by a customer and the margin is fixed and determined. The revenue, represented by the margin, is the difference between the rate offered to customers and the rate the Group receivesfrom its liquidity providers.

(ii) Currency cards
There are two distinct revenue streams, FX card load orders and transaction-based charges. Revenue on FX card load orders onto non-GBP currency cards is recognised when a binding order is entered into by a customer, the margin is fixed and determined and the foreign currency has been loaded onto their currency card. The revenue, represented by the margin, is the difference between the rate offered to customers and the rate the 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.

3.6 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.

3.7 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.

3.8 Research and development

Research costs are expensed as incurred. Expenditure on IT software and development is recognised as an intangible asset only if the expenditure can be measured reliably, the when the intangible asset is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and sell the asset. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

3.9 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 to compensate the Group for expenses incurred therefore they are credited against administration expenses on a systemic basis in the periods in which the expenses are recognised, or if the expenditure has been recognised as an intangible asset on a systemic basis over the useful life of the asset.

3.10 Taxation

The tax expense comprises current and deferred tax.

3.11 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.

3.12 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.

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	6-9 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.

3.13 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	20 - 50%
Fixtures and fittings	20%
Leasehold improvements	10 - 25%

3.14 Investments in subsidiaries

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

3.15 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.

3.16 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 3.23.

3.17 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.

3.18 Offsetting of financial instruments

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

3.19 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. During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

3.20 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost using the effective interest method. During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash and the associated customer liability in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

3.21 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.

3.22 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.

IFRS 16 *Leases* is applicable from the financial year commencing on 1 January 2019. The Group will be adopting the standard and the transition options and impacts have been explaining further in Note 2(C).

3.23 Impairment

A. Non-derivative financial assets

Policy applicable from 1 January 2018

IFRS 9 offers two approaches for measuring and recognising the loss allowance: General and Simplified. General approach should be applied for all financial assets subject to impairment, except for trade receivables or contract assets (IFRS 15) without significant financing component for these assets simplified approach should be applied.

The Group's financial instruments measured at amortised cost falling within the scope of the standard are (i) trade and other receivables and (ii) cash and cash equivalents. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The Group applies the IFRS 9 simplified approach - no need to determine the stage of a financial asset, because a loss allowance is recognized always at a lifetime expected credit loss.

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.

Policy applicable before 1 January 2018

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.

B. 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.

3.24 Judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

The judgements made in applying the Group's account policies that have the most significant effect on the amounts recognised in the financial statements were as follows:

(i) Technology development intangibles

Development costs are capitalised based on management's judgements that the project is technologically and economically feasible, the asset is expected to generate future net cash inflows and a successful outcome is probable in accordance with IAS 38 *Intangible Assets*. For staff not required to complete project timesheets and not solely working in IT development or other related development project teams, management applies judgements relating to the percentage of staff costs directly attributable to the development of internally generated technology intangibles - ranging between 10-100%. The total cost capitalised in the year for staff who were not required to complete timesheets was £1,675,003, which represents 29% of their total annual staff costs.

B. Assumptions and estimation uncertainties

The assumptions and estimation uncertainties at the end of the financial year that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year were as follows:

(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) Deferred tax assets
The Group has made estimates in relation of the availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised as set out in note 8.
(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 valued 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 acquires and therefore not treated as remuneration

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

(a) Brand names - City Forex Limited acquisition
The 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 0.007% was used for the purpose of the valuation of the brand names. The discount factor applied in the valuation of the brand names was 17%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used.

(b) Customer relationships - City Forex Limited 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. An attrition rate of 21% was used in the valuation of customer relationships. 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 8 months to 31 October 2019 and 12 month annual periods to 31 October 2025. The discount factor applied in the customer relationships valuation was 17%, comprising of the weighted average cost of capital (WACC).

(c) MTS Platform - City Forex Limited acquisition
The MTS platform was 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 0.03% was used for the purpose of the valuation of the MTS platform. The discount factor applied in the valuation of the MTS platform was 17%, comprising of the weighted average cost of capital (WACC). The most sensitive factor was the royalty rate used.

(d) 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.

(e) 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.

(f) 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%.

(g) Impairment of goodwill
The assumptions and estimates 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 support strategic decisions. The Board review financial information on revenue for the following segments: Currency Cards, International Payments, Travel Cash, Banking and Central (which includes overheads and corporate costs). Revenue is wholly derived from UK based customers.

In 2018 the Group made some changes to its segment reporting to align with how the Board assess segment performance and support strategic decisions. Following the acquisition of City Forex, the Board of Directors considered that to appropriately assess the performance of the business (including the significant travel cash business acquired), the internal reporting structure should change so that Travel Cash was reported as a separate revenue segment. Furthermore, the Board agreed that the international payments sub-segments of Fairpay and Dealing should be combined under one segment called International Payments in line with how the Board assesses performance and reviews decisions about the segment. For consistency, the prior year comparative balances have been restated below. This restatement did not result in any impact on the total prior year comparatives.

IFRS 15 requires the presentation of disaggregated revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affects by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Board, to evaluate the financial performance of the

Group.

Group 2018	Currency Cards	International Payments	Travel Cash	Banking	Central	Total
	£	£	£	£	£	£
Segment revenue	9,996,890	8,389,851	2,076,904	5,628,747	-	26,092,392
Direct costs	-	-	-	(1,257,901)	(4,348,060)	(5,605,961)
Administrative expenses	-	-	-	(3,132,003)	(14,977,621)	(18,109,624)
Acquisition costs	-	-	-	-	(297,484)	(297,484)
Profit / (loss) before tax	9,996,890	8,389,851	2,076,904	1,238,843	(19,623,165)	2,079,323
Total assets	-	-	-	-	47,425,064	47,425,064
Total liabilities	-	-	-	-	(9,158,694)	(9,158,694)
Total net assets	-	-	-	-	38,266,370	38,266,370

Group 2017	Currency Cards	International Payments (Restated)	Travel Cash (Restated)	Banking	Central (Restated)	Total
	£	£	£	£	£	£
Segment revenue	8,124,165	5,108,440	331,660	1,896,470	-	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	5,108,440	331,660	202,522	(13,537,338)	229,449
Total assets - restated (note 3.1)	-	-	-	-	40,384,973	40,384,973
Total liabilities - restated (note 3.1)	-	-	-	-	(5,339,542)	(5,339,542)
Total net assets	-	-	-	-	35,045,431	35,045,431

5. Profit before tax - Group

Profit before tax is stated after charging the following:-	2018	2017
	£	£
Operating leases - property	910,947	392,377
Operating leases - car	40,317	-
Depreciation of plant and equipment and fixtures and fittings	200,123	51,727
Amortisation of intangibles	1,318,649	221,117
Net foreign currency differences	20,274	68,186
Research and development costs	-	1,265,388
Research and development tax credit	(311,156)	(301,032)

During the year, the Group recognised all of its development costs as intangible assets.

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

	2018	2017
	£	£
Audit fees:-		
Fees payable for the audit of the annual report and financial statements	32,000	70,000
Fees payable for the audit of subsidiaries	138,000	40,000
Additional audit fees payable for the prior year audit of subsidiaries	28,500	
Total audit fees	198,500	110,000

The above audit fee is payable solely to the Group's current auditor, KPMG LLP. There were no non-audit fees during the current and preceding year. These amounts are shown exclusive of VAT.

6. Staff costs

Number of employees

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

	2018	2017
	Headcount	Headcount
Administrative staff	218	101

Employee costs

	2018	2017
	£	£
Wages and salaries	7,518,190	5,354,654
Social security costs	758,375	567,279
Pension costs	63,253	23,028
	8,339,818	5,944,961

Employee costs are exclusive of £2,819,567 (2017: Nil) reported within internally generated software intangibles. This comprised the portion of 59 employee costs, which related to the time invested to development of internally generated technology intangibles. Further information regarding share options is given in note 20.

7. Company - Directors' remuneration

	Gross Salary 2018	Bonus 2018	Employer Pension 2018	Total Remuneration 2018
Executive Directors				
I A I Strafford - Taylor	262,500	-	703	263,203

	Gross Salary 2017	Bonus 2017	Employer Pension 2017	Total Remuneration (Restated*) 2017
Executive Directors				
I A I Strafford - Taylor	245,000	237,200	386	482,586

* The Company has restated 2017 Directors remuneration to remove £160,386 of non-executive Directors total remuneration. Non-executive Directors remuneration is disclosed in the Directors' remuneration report.

The total amount payable to Directors when including Directors of all the subsidiaries in the consolidated Group was £964,318 (2017: £1,142,396*). This included pension payments of £4,918 (2017: £772) in the year. Further information regarding share options is given in note 20.

8. Taxation

Group	**2018**	**2017**
	£	**£**
Current year tax credit	**-**	(27,179)
Changes in tax estimates related to prior years	32,544	**-**
Changes in tax estimates in pre-acquisition accounts of businesses acquired during the year	384,966	**-**
Current tax expense / (credit)	**417,510**	**(27,179)**
Origination and reversal of temporary differences	(1,063,420)	(42,046)
Recognition of previously unrecognised deductible temporary differences	107,567	(148,462)
Deferred tax credit	**(955,853)**	**(190,508)**
Total tax credit	**(538,343)**	**(217,687)**

Factors affecting tax charge for the period

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

	2018	**2017**
	£	**£**
Profit before taxation: Continuing operations	2,079,323	229,449
Taxation at the UK corporation rate tax of 19.00% (2017: 19.25%)	395,071	44,169
Expenses not deductible for tax purposes	78,274	47,986
Tax losses for which no deferred tax asset utilised	(567)	6,211
Recognition of deferred tax on previously unrecognised temporary differences	1,109,588	-
Effect of tax at marginal rate	-	(959)
Deferred tax on equity settled share-based payments	-	(126,718)
Adjustments to tax liability in respect of previous accounting period	32,544	-
Recognition of deferred tax on previously unrecognised carry forward tax losses	(1,607,394)	-
Net impact of R&D tax credit claim	(545,859)	(188,376)
Total tax expense / (credit) for the year	(538,343)	(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**
2018	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Intangibles	(791,499)	(199,308)	-	(770,085)	(1,760,892)	-	(1,760,892)
Property plant and equipment	-	(31,431)	-	(107,567)	(138,998)	717	(139,715)
Equity settled share based payments	511,912	-	549,508	10,215	1,071,635	1,071,635	-

Unutilised tax losses	-	-	-	1,607,394	1,607,394	1,607,394	-
Other	-	-	-	215,896	215,896	215,896	-
Deferred tax assets/ (liabilities)	(279,587)	(230,739)	549,508	955,853	995,035	2,895,642	(1,900,607)

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	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Intangible	-	(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	**2018**	**2017**
	£	**£**
Current deferred tax asset	859,914	-
Non-current deferred tax asset	2,035,728	511,912
Total deferred tax asset	2,895,642	511,912

Current deferred tax liability	(356,713)	(117,838)
Non-current deferred tax liability	(1,543,894)	(673,661)
Total deferred tax liability	(1,900,607)	(791,499)

Based on the valuation of acquisition intangibles and enacted UK corporation tax rates, the Group has acquired deferred tax liabilities of £199,308 in relation to its acquisition of City Forex Limited (note 11) during the year ended 31 December 2018. 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. In the year ended 31 December 2017, the Group also acquired deferred tax liabilities of £833,545 in relation to its acquisition of Spectrum Financial Group Limited and Q Money Limited. The net deferred tax released to the income statement in the year ended 31 December 2018 in relation to the three acquisitions was a charge of £151,042. Future changes in the standard rate of corporation tax have been reflected in the carrying value of the deferred tax liability.

The Group recognised a £921,127 deferred tax liability in relation to technological intangibles assets, which are subject to claims made under the Small or Medium-sized Enterprise (SME) R&D tax relief scheme. Deferred research and development tax credits recognised on a systemic bases over the useful lives of intangible assets have resulted in a deferred tax asset of £215,896. During the year, the Group has recognised a £559,723 deferred tax asset in relation to unexercised share options. Of this amount, £10,215 was recognised in the current year's tax expense and £549,508 was recognised in equity.

The Group has estimated tax losses of £9,268,652 (2017: £9,271,636) 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 is taken at such point recovery is reasonably certain, which the Group considered on a three-year forecast horizon. During the year, the Group recognised a deferred tax asset of £1,607,394 in relation to carry forward losses expected to be used by 2021. The Group has an unrecognised deferred tax asset of Nil (2017: £1,761,611) in respect of the tax losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time. The £32,544 change in tax estimates related to prior years was a result of subsidiaries in the Group not being able to utilise Group tax relief that had been included in the 2017 year-end tax calculations.

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 a later year. Therefore, the standard rate of corporation tax applicable to the Group for the year ended 31 December 2018 was 19.0%. The rate in the year ending 31 December 2019 is 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. Earnings per share

Basic earnings 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 £2,617,666 (2017: £447,136) and the weighted average number of shares in issue for the period is 155,368,259 (2017: 121,876,571).

Diluted earnings 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 £2,617,666 (2017: £447,136) and the weighted average number of shares is 159,916,115 (2017: 124,855,331).

10. Property, plant and equipment

Group	**Plant and machinery**	**Fixtures and fittings**	**Leasehold improvements**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 January 2018	386,160	26,644	39,651	452,455
Additions	205,677	120,427	344,723	670,827
Acquisitions through business combinations	144,878	-	188,664	333,542
At 31 December 2018	736,715	147,071	573,038	1,456,824
Depreciation				

At 1 January 2018	284,906	14,180	15,789	314,875
Charge for the year	142,365	6,156	51,602	200,123
At 31 December 2018	427,271	20,336	67,391	514,998
Net book value				
At 31 December 2018	309,444	126,735	505,647	941,826

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

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 2018	12,962,509	2,676,979	1,794,000	293,000	143,757	17,870,245
Reclassifications	-	143,757	-	-	(143,757)	-
Additions	-	4,711,006	-	-	1,047,951	5,758,957
Acquisitions through business combinations	3,897,437	796,000	163,000	162,000	-	5,018,437
At 31 December 2018	16,859,946	8,327,742	1,957,000	455,000	1,047,951	28,647,639
Amortisation						
At 1 January 2018	-	101,917	99,667	19,533	-	221,117
Charge for the year	-	918,956	314,093	85,600	-	1,318,649
At 31 December 2018	-	1,020,873	413,760	105,133	-	1,539,766
Net book value						
At 31 December 2018	16,859,946	7,306,869	1,543,240	349,867	1,047,951	27,107,873

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	-	101,917	99,667	19,533	-	221,117

2017						
Net book value At 31 December 2017	12,962,509	2,575,062	1,694,333	273,467	143,757	17,649,128

The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period. IAS 36 *Impairment of Assets* requires that intangible assets that are not available for use are required to be tested for impairment at least on an annual basis. The balance at reporting date relates to additions made during the reporting period, which will be tested annually for impairment during the 2019 calendar year.

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. Impairment testing of goodwill that was recognised in a business combination is required by IAS 36 to be performed on an annual basis or whenever indicators of impairment exist. Where goodwill has been allocated to a cash-generating unit ("CGU") that CGU is tested for impairment to determine whether the carrying amount of the CGU may not be recoverable. The Group has carried out the impairment review of goodwill recognised in the following CGUs as required by IAS 36:

- Banking
- International Payments
- Travel Cash

This represents the lowest level at which goodwill is monitored for internal management purposes.

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 are based upon the CGU's weighted average cost of capital (WACC). The WACC for the CGUs were Banking: 16.07% (2017: 13.76%), International Payments:16.05% and Travel cash: 16.12%.
The Group prepared cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. For the purpose of the value in use calculation the management forecasts were extrapolated into perpetuity using 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 has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. Based on the value in use, each CGU would require the following reduction of revenue each year to result in an impairment at 31 December 2018:

- Banking 7.7%
- International Payments 53.8%
- Travel Cash 51.9%

The following WACC would result in an impairment at 31 December 2018:

- Banking 17.7%
- International Payments 63.5%
- Travel Cash 62.5%

Based on the sensitivity analyses, the Group has determined that for International Payments and Travel Cash 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 2018. For Banking a change in the WACC of over 10% would result in an impairment. Therefore, management's view is that the change required in the WACC is a significant increase and so conclude that the Banking CGU does not require impairment.

12. Investments

Company - Shares in subsidiary undertakings	**2018**	**2017**
	£	**£**
Cost	29,455,134	11,243,460
Additions	9,270,317	18,211,674
At 31 December	38,725,451	29,455,134
Net Book Value		
At 31 December	38,725,451	29,455,134

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
Fair Payments Limited (previously 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
City Forex Limited	England and Wales	Ordinary	100	Trading

* 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) City Forex Limited

On 20 February 2018, the Group acquired the entire ordinary share capital of City Forex Limited. The acquisition has been immediately earnings enhancing and enables the Group to extract increasing economies of scale and cross selling opportunities whilst adding product innovation. By combining the existing FairFX platform with innovative proprietary systems owned by City Forex, the Group has been able to yield further automation efficiencies as well as enable further capacity for growth.

The initial consideration payable for the acquisition was £6,000,000 payable in cash. Further adjusted consideration after working capital adjustments of £3,216,552 was paid in cash. For the period post acquisition to 31 December 2018, City Forex Limited contributed revenue of £4,714,023 and profit before tax of £929,712 to the Group's results. If the acquisition occurred on the 1 January 2018 revenue of £5,322,531 and profit before tax of £946,801 would have been contributed to the Group's results.

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

	£
Cash	6,000,000
Further consideration	3,216,552
Total consideration transferred	**9,216,552**

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

	£
Intangibles	1,121,000
Property, plant and equipment	333,542
Trade and other receivables	1,819,769
Cash	2,652,718
Trade and other payables	(377,175)
Deferred tax liabilities	(230,739)
Total identifiable new assets acquired	**5,319,115**

The valuation techniques used for measuring the fair value of the intangibles are covered in note 3.24(ii). Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £199,308 was recognised as a result of the identified intangible asset. Goodwill arising from the acquisition has been recognised as follows.

	£
Consideration transferred	9,216,552
Fair value of identifiable net assets	5,319,115
Goodwill	**3,897,437**

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) 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 3.24(ii). 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.

(iii) 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 3.24(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	17,129,541
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	**2018**	**2017**
	£	**£**
Finished goods	286,713	199,747

The Group's inventories comprise stock of cards.

14. Trade and other receivables

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Trade receivables	1,800,453	2,419,594	-	-
Amounts due from Group undertakings	-	-	4,905,334	13,212,504
Other receivables	3,466,503	515,063	-	-
Prepayments and accrued income	1,883,794	845,111	2,370	-
	7,150,750	3,779,768	4,907,704	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	**2018**	**2017 (Restated)**
	£	**£**
Cash at bank	7,860,368	17,803,063

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

16. Share capital

Group and Company	2018	2017
	£	£
Authorised, issued and fully paid up capital		
155,368,259 ordinary shares of £0.01 each	1,553,682	1,553,682

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.

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	
	2018	2017 (Restated)	2018	2017
	£	£	£	£
Trade payables	3,840,175	2,840,845	125,467	-
Amounts owing to Group undertakings	-	-	1,355,524	2,074,285
Taxation and social security	529,980	383,446	-	-
Accruals and deferred income	1,172,683	1,178,547	141,000	-
Deferred research and development tax credit (note 3.9)	1,136,293	-	-	-
	6,679,131	4,402,838	1,621,991	2,074,285

	Group		Company	
	2018	2017 (Restated)	2018	2017
	£	£	£	£
Current	6,679,131	4,402,838	1,621,991	2,074,285

During the year, the Directors received legal advice in connection with the risks and rewards to the Group that arise from the holding of customer money and has concluded that the risks and rewards are principally vested with the customers. As a result, the Group no longer accounts for customer cash and the associated customer liability in the Group's financial statements. The Directors also concluded that the risks and rewards were substantially the same in prior periods and have adjusted the prior year financial statements of the Group accordingly (note 3.1).

18. Derivative financial assets and financial liabilities

18.1 Derivative financial assets

	Fair Value	Notional Principal	Fair Value	Notional Principal
Group	**2018**	**2018**	**2017**	**2017**
	£	£	£	£
Foreign exchange forward contracts	1,181,892	41,462,875	303,775	21,530,930
Total financial instruments at fair value	1,181,892	41,462,875	303,775	21,530,930

18.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

	Fair Value	Notional Principal	Fair Value	Notional Principal
Group	**2018**	**2018**	**2017**	**2017**
	£	£	£	£
Foreign exchange forward contracts	578,956	41,105,776	145,205	21,366,917
Total financial instruments at fair value	578,956	41,105,776	145,205	21,366,917

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	2018	2017 (Restated*)
	£	£
Financial instruments held at		

amortised cost		
Cash and cash equivalents	7,860,368	17,803,063
Trade and other payables	(6,679,131)	(4,402,838)
Trade and other receivables	7,150,750	3,779,768

	2018	**2017**
	£	**£**
Financial instruments held at fair value through profit or loss		
Derivative financial assets - Forward foreign exchange contracts	1,181,892	303,775
Derivative financial liabilities - Forward foreign exchange contracts	(578,956)	(145,205)

*Refer to note 3.1

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 3.24(ii) since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). In 2018, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a gain of £10,914 (2017: loss of £5,430). This was reported in administration costs in the income statement.

19.2 Financial risk management objectives and policies

Credit risk
As required under IFRS 9, the Group analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Group has significant short term receivables and security collateral arrangements with bank and other financial institutions and financial service providers; which have either settled post balance sheet date or are considered negligible due to the financial strength of the counterparty. As such the impact of expected credit losses under IFRS 9 have been assessed as minimal.

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

2018	**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	7,150,750	-	-	-	-	7,150,750
Derivative financial assets	219,991	341,492	620,409	-	-	1,181,892

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

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.

2018	**On demand and within 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Over 1 year**	**Total**
Group	**£**	**£**	**£**	**£**	**£**
Trade and other payables	6,679,131	-	-	-	6,679,131
Derivative financial liabilities	102,115	297,485	179,356	-	578,956

2017	**On demand and within 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Over 1 year**	**Total**
Group	**£**	**£**	**£**	**£**	**£**
Trade and other payables - restated*	4,402,838	-	-	-	4,402,838
Derivative financial liabilities	76,330	22,178	46,697	-	145,205

*Refer to note 3.1

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 2018, the Group is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held (2017: £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 2018	Financial assets	Financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	7,860,368	-	7,860,368
Trade and other receivables	7,150,750	-	7,150,750
	15,011,118	**-**	**15,011,118**
Financial liabilities not measured at fair value			
Trade and other payables	-	6,679,131	6,679,131
	-	**6,679,131**	**6,679,131**

31 December 2017	Financial assets	Financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents - restated*	17,803,063	-	17,803,063
Trade and other receivables	3,779,768	-	3,779,768
	21,582,831	**-**	**21,582,831**
Financial liabilities not measured at fair value			
Trade and other payables - restated*	-	4,402,838	4,402,838
	-	4,402,838	4,402,838

*Refer to note 3.1

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.

The parent Company has complied with these requirements.

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 2018, there were no of share based payment transactions within the Group.

		At 1 January 2018	Granted during year	Exercised during year	Lapsed during year	At 31 December 2018
Date Granted	**Exercise price (£)**	**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	4,063,939	-	-	-	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		6,805,023	-	-	-	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 2018, there were unexercised share options amounting to 4.38% (2017: 4.38%) of the Company's total issued shares. Of the above options 5,150,222 (2017: 5,150,222) have been granted to Directors of the Company (see Directors' remuneration report), with an additional 1,504,800 (2017: 1,504,800) 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 2018
Weighted average share	

price (£)	0.45	
Weighted average exercise price (£)	variable	a
Expected volatility	37.7%	b
Expected option life in years	2.6	
Risk-free rate	0.10%	
Expected dividends	none	
Fair value of the options granted (£)	variable	c

a. The weighted average exercise price varies dependent upon the amount stipulated in the individual option deeds. The exercise price ranges from £0.07 - £1.74. No shares were exercised in the year ending 31 December 2018.
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 £835,148 (2017: £781,383). The charge expensed to the statement of comprehensive income is £53,765 (2017: £112,961). During the year the Group recognised a £559,723 (2017: £511,912) deferred tax asset in relation to unexercised share options. Of this amount £10,215 was recognised in the current year's tax credit (2017: £148,463 tax expense) and £549,508 (2017: £363,449) was recognised to equity.

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21. Financial commitments

As at 31 December 2018 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	
	2018	**2017**
	£	**£**
Not later than one year	680,951	341,597
Later than one year and not later than five years	3,328,458	1,312,297
	4,009,409	1,653,894

	Vehicles	
	2018	**2017**
	£	**£**
Not later than one year	41,674	-
Later than one year and not later than five years	56,029	-
	97,703	-

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:

	2018	**2017**
	£	**£**
Salaries, fees and other short-term employee benefits	2,049,287	1,177,629

Other related party transactions:

	Transaction values for the year ended		**Balance outstanding as at**	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Currency transactions				
Subsidiary				
- Turnover	30,778,744	-	-	-
- Revenue - Travel Cash	202,409	-	57,302	-
- Revenue - Banking	34,680	-	34,680	-

	Transaction values for the year ended		Balance outstanding as at	
	2018	2017	2018	2017
	£	£	£	£
Other				
Subsidiary				
- Dividends	2,000,000	-	-	-
- Cost recharges	803,698	-	73,350	-
- Loan and related interest	9,381	11,109	370,490	361,109

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

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 27th March 2019, Warrants were exercised over 7,500,000 new ordinary shares for a consideration of £2,025,000. The Warrants were issued to Crystal Amber Fund Limited ("Crystal Amber") in conjunction with the Company's equity placing announced in March 2016.