FairFX Group Plc

Annual Report and Consolidated Financial Statements

For the year ended
31st December 2016

Contents

Directors and Advisors

Directors:	J Pearson (Chairman) I A I Strafford–Taylor (Chief Executive Officer) A Chowdhury R M Head
Company Secretary:	A Quirke
Registered Number:	08922461 (England and Wales)
Registered Office:	3rd Floor Thames House Vintners Place 68 Upper Thames Street London EC4V 3BJ England
Bankers:	Barclays Bank Plc 7th Floor, United Kingdom House 180 Oxford Street London W1D 1EA England
Auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH England
Solicitors:	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA England
Nominated Advisor and roker:	Cenkos Securities Plc 6.7.8 Tokenhouse Yard London EC2R 7AS England

Strategic report - Chairman's Statement

We are pleased to present the full year results of FairFX Group PLC for the year ended 31 December 2016. This has been another successful year for the Group following its admission to AIM in 2014. We have been extremely pleased with our performance and indeed with the results we have seen throughout the year. The performance highlights for 2016 are as follows:

- 27.4% increase in turnover (gross value of currency transactions sold) to £798.3m
- Revenue breaks £10m for first time, growing 27.9% to £10.2m
- 49.2% turnover growth to £446.5m within International Payments
- 24.1% turnover growth to £299.0m in Currency Cards
- 31.2% increase in gross profit to £7.5m
- £1.4m loss before tax, a reduction of 58% compared to 2015 loss of £3.4m
- 80,082 new customers added to the business

John Pearson
Non-Executive Chairman

The Group has developed solid foundations over recent years as a base for future growth and we continue to invest, in a targeted fashion, in people and systems development.

FairFX is an innovative FinTech payment services company, incorporated in 2005 and launched to the public in 2007, operating principally in the foreign exchange space. FairFX concentrates on "deliverable" foreign exchange (FX) which is the provision of actual currency delivery rather than FX trading. Unlike the FX trading industry, which is at the cutting edge of technology, the deliverable FX sector is typically characterised by low-tech solutions and poor transparency in both retail and corporate sectors. FairFX was established to challenge that status quo and deliver end-users better value combined with improved transparency, service and convenience. FairFX achieves this by enabling customers to transact seamlessly online or via mobile for both travel money solutions and International Payments. By employing high quality digital and mobile service solutions FairFX avoids the costs of a branch or retail infrastructure – a saving we pass on to our customers with better exchange rates. The ethos of our business is to promote clarity of pricing and to avoid hidden charges. FairFX systems were built from inception on the concept of peer-to-peer (P2P) functionality and this will convey further benefit to our customers as the business rolls out into other currency zones.

In contrast to 2015, where we clearly stated our strategy of focusing on the retail card space and performing a customer land-grab, our 2016 strategy was 2-pronged. Firstly, to carry on our growth in the retail space but secondly to increase focus on the corporate product. We see great opportunity in the corporate space as the size of the market is greater and there are less direct competitors. Also, because our corporate card product is free to use in the UK, our universe of potential customers is all UK corporate and not limited to those with overseas travel. Our results prove the success of our approach as the retail side continues to grow whilst the volumes through the Corporate platform have almost doubled.

27.4% increase
in turnover to £798.3m

27.9% increase
in revenue from £7.9m to £10.2m

80,082
new customers added to the business

49.2% turnover growth
in International Payments to £446.5m

31.2% increase
in gross profit to £7.5m

24.1% increase
in cards turnover growth to £299m

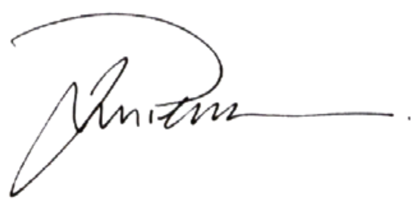
58.0% reduction
in loss before tax from £3.4m to £1.44m

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

Consistent with our 2015 full year results statement, FairFX sees opportunities for smart, segmented cross-selling across its products and this is a key component of the Group's growth strategy. We continue to focus on initially acquiring customers, both Retail and Corporate, in the multi-payments space using the currency card and physical travel money products. Thereafter, the key is to cross-sell those customers into our higher value, single-payment products. To this end, we have deployed technological developments to reduce the friction of moving from one FairFX product to another and improved our data-mining capabilities to be able to identify the optimal cross-selling opportunities. The success of this strategy can be seen in the 49% growth in turnover within the International Payments part of our business.

The Group has developed solid foundations over recent years as a base for future growth and we continue to invest, in a targeted fashion, in people and systems development. A key achievement in 2016 was completing the management team beneath the Chief Executive and we now have a wealth of experience and managerial bandwidth to tackle the wide range of initiatives we have under way. Innovation and delivery of new system solutions remain key to our future success and it is important we continue to develop new capabilities to retain our competitive advantage. We therefore continued to invest in R&D and innovation to enhance all of our products and services in 2016 as well as introducing "agile" methodology to improve efficiency of deployment of new technology. FairFX is highly focused upon the ease of use of its systems and products and is targeted towards mobile functionality operating across all platforms and devices. To this end, during 2016, we continued to refine both our Retail and Corporate platforms across desktop, mobile and app. In the Corporate space specifically, we continued to add functionality to the platform and are widening the accessible market for the product further up the SME ladder.

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



John Pearson

Non-Executive Chairman
21 April 2017

Strategic report - Chief Executive's Statement

Ian Strafford-Taylor
Chief Executive Officer

> We look forward to delivering further growth in the coming year and continuing to meet the expectations of all of our stakeholders.

We are very pleased to report that the Group has had a successful and strong year of growth in 2016 with turnover (gross value of currency sold) up 27.4% to £798.3 million (2015: £626.8 million). The growth was broad-based across our products with International Payments up 49.2% and Prepaid Currency Cards up 24.1%, but the standout performance was the volume through our Corporate Platform, which grew by 98.2% on the previous year. The Corporate Platform is the prepaid card expenses management portal accessed by the corporate customers to administer their prepaid cards issued to employees.

Revenue for the year was ahead of expectations and, importantly, exceeded the £10 million barrier for the first time. Revenue grew 27.9% to £10.2 million from £7.97 million a year earlier. The fact that revenue growth out-stripped turnover growth shows how FairFX managed its margins very effectively in the year, and continues to do so in 2017. Growth in revenue was broad-based, driven by International Payments which grew 34.6% to £3.8 million and Currency Cards which was up 29.1% to £6.0 million.

The Group continued its growth strategy by acquiring both retail and corporate customers across the business lines via targeted marketing in 2016. Total marketing expenditure accounted for £3.3 million in the year, exactly the same figure as for 2015. The mix changed slightly with a higher weighting of the direct-response TV advert as we did not repeat our sponsorship of the Sky Sports F1 channel, although we are doing this again in 2017.

The Group's operational performance was demonstrated in the period leading up to Brexit and its aftermath. This was the busiest in the Company's history in terms of volumes of business transacted. Whilst many competitors ceased accepting transactions for some or all of this period, FairFX remained fully operational throughout. This serves to demonstrate the robustness of the Company's systems and the scalability of the business. It is unclear what the long term impact of the vote on the macro economy will be but in the period since the referendum FX volumes have remained strong so we remain confident in our forecasts.

In technological development, we continue to reap the rewards of our decision to move to an "agile" IT project management methodology in 2015, which transformed our productivity in terms of deployments in 2016 across both our Retail and Corporate platforms. IT developments in 2016 focused on improving user experience (UX) across all devices with consequent improvements in both new customers and transactions. We have a clear roadmap for our IT development for 2017 with new products and functionality.

In Data Analysis, FairFX did a thorough overhaul of all its capabilities in 2016. This started with a major exercise to stitch together the digital activity (using Google Analytics – GA) of the business with the transactional side that is captured in our database. This involved extensive re-tagging of the website and a lot of remedial work to cleanse data such that we now have accurate numbers from which to work. The outputs of this work have been many-fold but include better understanding of lifetime values (LTV) by product, cost per acquisition (CPA) by marketing channel and also the ability to segment our customer base and serve them appropriate targeted marketing materials. The data also shines a light on the worth of our current customer base so we now have improved techniques for re-activation and retention which will yield further improvements in performance in 2017.

The single-pay products, namely International Payments, under the banners of FairPay and Dealing, performed extremely strongly in 2016 posting turnover growth of 49.2% to £446.5 million (2015: £299.2 million). With improvements in our data-driven cross-selling, combined with the further strengthening of our sales and dealing teams, with a particular emphasis on signing up more affiliates to generate inbound leads, we expect to continue our expansion in 2017 and this has already been borne out in the first quarter.

Multi-pay turnover, being prepaid currency cards and travel cash, also grew in 2016, increasing by 6.7% to £349.6 million (2015: £327.6 million). Within the multi-pay product group there was strong growth in prepaid cards of 24.1% to £299.0 million, whereas the cash-in-the-post product contracted by 41.6% to £50.6 million. The better data analysis referred to above allowed us to calculate exactly what cash customers were worth, including the benefits of cross-selling, and hence we altered our pricing to widen our spreads with the knowledge that volumes would decline but would be more than offset by an increase in margin. This proved to be the case and the cash product is now performing well on a CPA compared to LTV basis, and showing growth so far in 2017.

Turnover through the Corporate Platform grew particularly strongly in the year registering growth of 98.2% to £80.5 million (2015: £40.6 million) and this growth flowed down to revenue which grew 86.2% in the year to £0.8 million. This growth reflects the success of putting more resources into developing the FairFX products and functionality in this sector.

Gross profit for 2016 was £7.5 million, ahead of expectation, and showed growth of 31.2% over the 2015 result of £5.7 million. Gross profit was after the deduction of direct costs of £2.7 million, up 19.6% (2015: £2.3 million). Costs are a key focus for 2017 as changes in legislation regarding Interchange have increased costs of acquiring debit card payments. FairFX has various initiatives which will mitigate these effects and provide us with a competitive advantage.

Overall, the Group made a loss for the year of £1.4 million (2015: loss £3.4 million) which was slightly better than expectations. The Group traded profitably in the final quarter of 2016 which reinforces the Group's target of profitability for the year ending 31 December 2017.

The net cash position of the Group at 31st December 2016 was £8.5 million which included £5.0 million of customer funds, leaving a free cash position for the Group of £3.5 million. Accordingly, the Group has ample cash resources to continue its growth.

People

We continued to selectively invest in talent in 2016, however our operational efficiency meant that average headcount was almost the same as last year at 66 (2015: 65) despite turnover growing by 27.4%. Of particular note, the senior management team has now been completed and we now have broader experience and vastly improved bandwidth to cope with all the initiatives planned for 2017 and beyond. The business now has critical mass and operational gearing so large-scale increases in headcount are not needed as the Group expands.

There was one change to the Board of Directors in 2016 with Robert (Bob) Michael Head joining the Board in July as a non-executive, replacing Nick Jeffery. Bob brings a wealth of experience in online banking as joint founder of egg.com and the first CEO of smile.co.uk as well as an excellent background in governance and is a very strong addition to the Board. The Board remains committed to the success of the Group, ensuring it is conducted in accordance with the highest levels of corporate governance. We look forward to reporting on the Group's continued growth and development.

Strategy

Our strategy for 2017 and beyond falls into 4 distinct categories:

1. Retail
2. Corporate
3. Infrastructure
4. E-money licence advances

On the Retail side of the business, FairFX will continue to focus on growth via the combination of marketing and technological development, but this will be more targeted than in previous years given the investment in enhancing our data mining capabilities in 2016. We currently have over 600,000 retail customers and the focus going forward will be not only on adding new customers but also maximizing the revenues from the existing client base. Specific initiatives include reactivation and retention programmes and identifying the optimal products to cross-sell by individual (next best action), all of which should improve turnover and revenues. We are also launching a multi-currency version of the retail card (many currencies on one plastic) and a virtual card, both of which will extend the usage of the product and widen the audience. We have also enhanced the International Payments offering so that the online capability (FairPay) is easier to use and covers a wider range of amounts by lowering the minimum transaction size. We see significant potential for growth in FairPay by making it more accessible. Lastly, we will be further improving the user experience

(UX) from becoming a customer right through to transaction and then customer retention on both desktop and mobile.

On the Corporate side of the business, the strategy is multi-faceted. On the Corporate card platform, our offering is free to use in the UK and as such competes directly with Amex and Barclaycard. However, there is no real competitor in the prepaid space and so we see excellent potential for growth. We will access this by continuing our programme of improving both the functionality and usability of the platform, across all devices, whilst widening the scope of customers we will look to serve. We will do this by making the platform usable for businesses from one employee to thousands whereas before we focused on businesses in the range of 10-200 employees. Furthermore, as with our retail offering, we will also be deploying a multi-currency version of the corporate card. We will also enhance the overall platform offering to cover all the payment needs for a corporate ranging from payments, both domestic and international, as well as cards and expense management.

For Infrastructure, FairFX has now reached a scale at which it has the critical mass needed to make it cost-effective to insource some parts of its supply chain. We have already started optimising the economics of our prepaid card product, which will continue during 2017, and have active work streams in several areas. Insourcing benefits FairFX not only in terms of reducing costs, but it also enables quicker development of new products. Insourcing also leads to a reduction in operational risk with fewer participants in the chain, meaning programme management is more efficient. In addition, we are adding additional banking partners in 2017 so we are not reliant on one partner. Overall, the theme on infrastructure is to have multiple supply and to utilize intelligent switching software, such that our transactions are routed via the most efficient and cost-effective channels.

Regarding the E-money licence we acquired in early 2017, this enables FairFX to hold electronic balances on behalf of its customers. This opens up a whole range of possibilities for the Group in terms of both the products we can offer and also the payments systems we can directly interface with. We will be selectively using the benefits of the licence in 2017 and beyond with an initial focus on enabling our customers to place and hold funds with us across a range of currencies and thereby create a FairFX eco-system within which we can move funds without incurring banking charges. In addition, the E-money licence allows us to provide digital banking to our customers, with a FairFX sort code and bank account numbers supported by full-service banking facilities with the exception of paying interest or extending credit. We see particular potential for this in the Corporate SME space where customers are poorly served by the incumbent Banks. Finally, the E-money licence allows us to become our own Issuer of our prepaid cards and accordingly we will examine the costs and benefits of this in 2017.

Quarter 1 2017 Update

The results for the first quarter 2017 are encouraging and underpin our expectations for the full year. Turnover grew strongly and is up 32.9% at £194.3 million (2016: £146.2 million) and is broad based with all product lines advancing. Within this number, International Payments turnover is up 27.9% at £107.2 million (2016: £83.6 million) and prepaid currency card turnover increased 42.7% to £74.6 million (2016: £52.3 million), including corporate card volumes up 103.3% over prior year to £27.1 million (2016: £13.3 million). Revenue also grew strongly in the first quarter with a 33.1% increase to £2.6 million (2016: £1.9 million).

Customer numbers continue to expand rapidly with 15,070 new customers added in the first quarter, bringing the total to 603,262. Within the new retail customer numbers, the strategic focus on acquiring card customers rather than those for the lower margin cash product can be seen given that 12,602 cards were sold in the first quarter, with a discernable increase in momentum as the quarter progressed. The current expansion of the business will be further supported by the planned targeted marketing campaigns throughout 2017 including the sponsorship of Sky Sports' coverage of Formula 1, which will run from March to November. Having analysed the effects of this sponsorship in 2015 we can see that it delivers excellent results in terms of both customer numbers and cost of acquisition across both our retail and corporate product lines.

The first quarter of 2017 was also notable for the completion of a transaction to acquire the business of Q Money. The acquisition provides FairFX not only with an e-money licence, as described above, but also the springboard to launch new products into the corporate space utilizing the know-how of the Q money team. Please refer to note 23 of the financial statements for more details.

Outlook

Based on the performance and further progress made in Q1 2017, the Group remains in line with market expectations for the full year.

Principal risks and uncertainties

The directors have reviewed the risks and uncertainties facing the group and consider the key risk to be financial risk. The Group's overall risk management programme focuses on maximising its financial assets and minimising financial liabilities whilst not engaging in speculation.

Credit risk

The Group's receivables amount to £3.0 million (2015: £2.0 million). The receivables include an amount of £1.9 million (2015: £1.0 million) of trade receivables. The directors are of the opinion that all these amounts are recoverable and the group has no significant credit risk.

Liquidity risk

The group monitors rolling forecast of the group's liquidity requirements to ensure it has sufficient cash to meet its operational cash requirements.

The Group has cash reserves amounting to £8.5 million (2015: £3.6 million) which includes customer traded funds of £5.0 million (2015: £2.9 million).

The Group's payables due within one year amount to £7.7 million (2015: £5.2 million). The directors do not foresee any problems in the group being able to meet its obligations.

Market risk

Market risk arises from the Group's use of foreign currency (see below).

Interest rate risk

The Group is subject to interest rate risk as its bank balances are subject to interest at a floating rate. Due to the current low levels of borrowings, the Group is not materially affected by changes in interest rates.

Foreign currency risk

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

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

Fair value risk

Derivative financial assets and liabilities are measured at fair value. The Group does not include a fair value of other financial assets and liabilities as the carrying amount is a reasonable approximation of fair value.

In Conclusion

We look forward to delivering further growth in the coming year and continuing to meet the expectations of all of our stakeholders.

Ian Strafford-Taylor

Chief Executive Officer
21 April 2017

Corporate governance statement

Statement of compliance

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

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

Board of directors

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

The Board has established an audit committee and a remuneration committee and formally delegated duties and responsibilities as described below. The attendance record of each relevant Director at Board and committee meetings during 2016 is as follows:

	Board	Audit Committee	Remuneration Committee
	9 Meetings	2 Meetings	2 Meetings
John Pearson	9	2	2
Ian Strafford-Taylor	9	n/a	n/a
Ajay Chowdhury	6	2	1
Nick Jeffery (resigned 20 July 2016)	3	n/a	1
Robert Head (appointed 20th July 2016)	3	1	n/a

Audit committee

The audit committee is responsible for monitoring the integrity of the group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the group's internal control and risk management systems via a Risk Committee which reports into the Audit Committee and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The audit committee comprises Robert Head, Ajay Chowdhury and John Pearson and is chaired by Robert Head. The audit committee has met twice during the year and will meet at least twice a year in future at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also meets regularly with the company's external auditor.

Remuneration committee

The remuneration committee is responsible for determining and agreeing with the Board the framework for the remuneration of the chairman, the executive directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non- executive directors is a matter for the Board. No director is involved in any decision as to his or her own remuneration.

The remuneration committee comprises John Pearson and Ajay Chowdhury and is chaired by Ajay Chowdhury.
The remuneration committee has met twice during the year and will continue to meet at least twice a year in future and otherwise as required.

Share dealing code

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

The Corporate Governance Statement was approved and authorised for issue by the Board on 21 April 2017 and was signed on its behalf by:

I A I Strafford-Taylor

Chief Executive Officer

Directors' report

The directors' present their annual report and consolidated financial statements for the year ended 31 December 2016.

Financial reporting

The consolidated financial statements for the year ended 31 December 2016 are set out on pages 18 to 46 for FairFX Group Plc. These have been prepared in accordance with the group's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Principal activity

The principal activity of the group during the year was that of a dedicated provider of foreign exchange payment services to both private clients and corporations through prepaid currency cards, travel cash and international money transfers. The group's trading entity FairFX Plc is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services.

The principal activity of the company is focussed on share ownership of the FairFX companies.

The company was incorporated on 4 March 2014, and on 22 July 2014 acquired the entire shareholding of FairFX (UK) Limited (previously named FairFX Group Limited) through a share for share exchange. For the consolidated financial statements of the group, prepared under IFRS, the principles of reverse acquisition under IFRS 3 "Business Combinations" have been applied. The steps to restructure the group had the effect of FairFX Group Plc being inserted above FairFX (UK) Limited. The holders of the share capital of FairFX (UK) Limited were issued fifty shares in FairFX Group Plc for one share held in FairFX (UK) Limited. The shares of the company were admitted to trading on AIM on 5th August 2014.

Post balance sheet event

On 19th January 2017, the Group acquired the entire ordinary share capital of Q Money Limited. The initial consideration payable for the Acquisition is £425,000, to be 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 consideration of up to £825,000 may be payable to Q Money over the next 3 years, 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.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: nil).

Directors

The following directors have held office during the financial year and up to the date of approval of these financial statements.

I A I Strafford-Taylor	
A Chowdhury	
N S Jeffery	(resigned 20th July 2016)
J Pearson	
R M Head	(appointed 20th July 2016)

Directors' interests

The directors who held office at 31 December 2016 held the following shares in the company:

	Ordinary 1p shares	
	Shareholding %	2016
I A I Strafford-Taylor	2.1%	2,127,750

The directors held the following unexercised share options in the company:

	Option price (£)	Number Granted	Date Granted
I A I Strafford-Taylor	0.22	192,950	28/07/2014
	0.36	1,789,300	28/07/2014
	0.36	1,535,750	28/07/2014
	0.30	750,000	28/09/2016
A Chowdhury	0.36	88,889	28/07/2014
	0.30	50,000	28/09/2016
J Pearson	0.58	120,000	01/11/2014
	1.16	120,000	01/11/2014
	1.74	120,000	01/11/2014
	0.30	250,000	28/09/2016
R M Head	0.30	133,333	28/09/2016

Auditor

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Going concern

Based on the Group's budgets and financial projections, the Directors are satisfied that the business is a going concern and therefore the financial statements have been prepared on a going concern basis. This assessment is based on 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.

The Directors' Report was approved by the Board on 21 April 2017 and signed on its behalf by:

I A I Strafford-Taylor

Chief Executive Officer

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report & Consolidated Financial Statements, the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

In accordance with Section 418, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) that the Director has taken all the steps that he ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

I A I Strafford-Taylor

Chief Executive Officer

Independent auditor's report

We have audited the financial statements of FairFX Group Plc for the year ended 31 December 2016 set out on pages 18 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or .
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Walker

(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH
21April 2016

Consolidated statement of comprehensive income

	Note	2016 £	2015[1] £
Gross value of currency transactions sold	3.1.a	798,300,641	626,827,807
Gross value of currency transactions purchased	3.1.a	(788,105,667)	(618,854,901)
Revenue on currency transactions	4	10,194,974	7,972,906
Direct costs		(2,725,788)	(2,278,845)
Gross profit		7,469,186	5,694,061
Administrative expenses		(8,909,376)	(9,089,459)
Loss before tax and from operations	5	(1,440,190)	(3,395,398)
Tax expense	8	-	-
Loss for the year		**(1,440,190)**	**3,395,398)**
Loss per share			
Basic	9	(1.49p)	(4.76p)
Diluted	9	(1.49p)	(4.76p)

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

The notes on pages 24 to 46 form an integral part of these financial statements.

[1]The 2015 Income Statement has been re-stated with certain revenue and cost lines reclassified. There is no impact on the overall loss for the year.

Consolidated and company statement of financial position

		Group		Company	
		2016	2015	2016	2015
	Note	£	£	£	£
ASSETS					
Non-current assets					
Property, plant and equipment	10	75,258	80,754	-	-
Investments	11	-	-	11,243,460	1,260,857
		75,258	80,754	11,243,460	1,260,857
Current assets					
Inventories	12	229,905	95,094	-	-
Trade and other receivables	13	3,001,402	1,965,003	-	4,624,571
Derivative financial assets	17	223,884	115,711	-	-
Cash and cash equivalents	14	8,523,985	3,615,056	-	-
		11,979,176	5,790,864	-	4,624,571
TOTAL ASSETS		**12,054,434**	**5,871,618**	**11,243,460**	**5,885,428**
EQUITY AND LIABILITIES					
Equity attributable to Equity holders					
Share capital	15	1,031,160	768,660	1,031,160	768,660
Share premium		10,174,273	5,313,780	10,174,273	5,313,780
Share based payment reserve		668,422	667,421	668,422	667,421
Merger reserve		5,416,083	5,416,083	-	-
Retained deficit		(12,897,682)	(11,457,492)	(883,933)	(883,933)
Total equity		4,392,256	708,452	10,989,922	5,865,928
Current Liabilities					
Trade and other payables	16	7,514,221	4,463,925	253,538	19,500
Derivatives financial liabilities	17	147,957	699,241	-	-
		7,662,178	5,163,166	253,538	19,500
TOTAL EQUITY AND LIABILITIES		**12,054,434**	**5,871,618**	**11,243,460**	**5,885,428**

The notes on pages 24 to 46 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 April 2017 and were signed on its behalf by:

I A I Strafford-Taylor

Director

Company Registration Number: 08922461

Consolidated and company statement of changes in equity

Group	Share capital	Share premium	Share based payment	Retained deficit	Merger reserve	Total
	£	£	£	£	£	£
At 1 January 2015	704,758	3,522,752	279,136	(8,062,094)	5,416,083	1,860,635
Loss for the year	-	-	-	(3,395,398)	-	(3,395,398)
Shares issued in year	63,902	1,791,028	-	-	-	1,854,930
Share based payment charge (Note 19)	-	-	388,285	-	-	388,285
At 31 December 2015	768,660	5,313,780	667,421	(11,457,492)	5,416,083	708,452
Loss for the year	-	-	-	(1,440,190)	-	(1,440,190)
Shares issued in year	262,500	4,860,493	-	-	-	5,122,993
Share based payment charge (Note 19)	-	-	1,001	-	-	1,001
At 31 December 2016	**1,031,160**	**10,174,273**	**668,422**	**(12,897,682)**	**5,416,083**	**4,392,256**

Company	Share capital	Share premium	Share based payment	Retained deficit	Merger reserve	Total
	£	£	£	£	£	£
At 1 January 2015	704,758	3,522,752	279,136	(699,056)	-	3,807,590
Loss for the year	-	-	-	(184,877)	-	(184,877)
Shares issued in period	63,902	1,791,028	-	-	-	1,854,930
Share based payment charge (Note 19)	-	-	388,285	-	-	388,285
At 31 December 2015	768,660	5,313,780	667,421	(883,933)	-	5,865,928
Loss for the period	-	-	-	-	-	-
Shares issued in period	262,500	4,860,493	-	-	-	5,122,993
Share based payment charge (Note 19)	-	-	1,001	-	-	1,001
At 31 December 2016	**1,031,160**	**10,174,273**	**668,422**	**(883,933)**	**-**	**10,989,922**

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.

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 on pages 24 to 46 form an integral part of these financial statements.

Consolidated statement of cash flows

Group	Note	2016	2015
		£	£
Loss for the year		(1,440,190)	(3,395,398)
Cash flows from operating activities			
Adjustments for:			
Depreciation		53,423	55,165
Share based payment charge		1,001	388,285
(Increase) in trade and other receivables		(1,036,399)	(327,825)
(Increase) in derivative financial assets		(108,173)	(68,570)
(Decrease) in borrowings		-	(334,882)
Increase in trade and other payables		3,050,296	616,078
(Decrease)/Increase in derivative financial liabilities		(551,284)	699,241
(Increase)/Decreasein inventories		(134,811)	66,055
Net cash flow used by operating activities		(166,137)	(2,301,851)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(47,927)	(23,160)
Net cash used in investing activities		(47,927)	(23,160)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		5,250,000	1,980,971
Costs directly attributable to share issuance		(127,007)	(126,041)
Net cash from financing activities		5,122,993	1,854,930
Net (decrease)/increase in cash and cash equivalents		4,908,929	(470,081)
Cash and cash equivalents at the beginning of the year		3,615,056	4,085,137
Cash and cash equivalents at end of the year	14	**8,523,985**	**3,615,056**

The notes on pages 24 to 46 form an integral part of these financial statements.

Company statement of cash flows

Company	Note	2016	2015
		£	£
Loss for the period		-	(184,877)
Cash flows from operating activities			
Adjustments for:			
Share based payment charge		1,001	388,285
Decrease/(Increase) in trade and other receivables		4,624,571	(1,680,950)
Iincrease/ Decrease in trade and other payables		234,038	(1,500)
Net cash flow used by operating activities		4,859,610	(1,479,042)
Cash flows from investing activities			
Investment in subsidiary undertaking		(9,982,603)	(375,888)
Net cash used in investing activities		(9,982,603)	(375,888)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		5,250,000	1,980,971
Costs directly attributable to share issuance		(127,007)	(126,041)
Net cash from financing activities		5,122,993	1,854,930
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at end of the period		**-**	**-**

The notes on pages 24 to 46 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

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

The company and group's consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 21 April 2017 and the consolidated and company statement of financial position signed by I A I Strafford-Taylor on behalf of the board.

2. New standards, amendments and interpretations to published standards

The Group applied all applicable IFRS standards and all applicable interpretations published by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) for the year ended 31 December 2016.

Adoption of new and revised accounting standards and interpretations:

- IFRS 14 Regulatory Deferral Accounts
- IFRS 11 Accounting for acquisitions of interests in Joint Operations (Amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments)
- IAS 27 Equity Method in Separate Financial Statements (Amendments)
- IAS 1 Disclosure Initiative (Amendments)
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment In Associates and Joint Ventures

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

The following standards and interpretations (and amendments thereto) have been issued by the IASB and the IFRIC which are not yet effective and have not been adopted, many of which are either not relevant to the group and parent company or have no material effect on the financial statements of the group and parent company with the exception of IFRS 16. The Company holds an operating lease for the offices it occupies so expects the implementation of this standard to impact the financial statements but the impact has yet to be assessed. The Audit Committee will in due course consider the implementation of the standards below on the Group's Financial Statements.

	Effective Dates *
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)	01 January 2017
IAS 7 Disclosure initiative	01 January 2017
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	01 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)	01 January 2018
IFRC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 16 Leases	01 January 2019

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

3. Basis of presentation and significant accounting policies

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

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

3.1 Basis of presentation

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

IFRS requires management to make certain critical accounting estimates and to exercise judgement in the process of applying the company's and group's accounting policies. These estimates are based on the directors' best knowledge and past experience and are explained further in note 3.21.

The Group has changed its allocation of various expenses in the year ended 31 December 2016 to more accurately reflect the nature of the expenses. For consistency, the prior year comparative balances have been restated in the Statement of Comprehensive Income. This restatement did not result in any impact on the prior year loss.

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

3.1.a 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.

3.2 Basis of consolidation

On 5th August 2014, FairFX Group Plc listed its shares on AIM, a market operated by the London Stock Exchange. In preparation for the Initial Public Offering ("IPO") the group was restructured. The restructure impacted a number of current year and comparative primary financial statements and notes. The effect of this reorganisation was to insert one new company into the group, a new holding company, FairFX Group Plc. The impact of the shares subscribed from the IPO are included within the results for the year ended 31 December 2016 and are disclosed fully in note 15.

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

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

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.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

3.3 Foreign currency

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

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

3.4 Inventories

Inventories 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.

3.5 Trade and other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables include monies received from customers executing deliverable FX trades. Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any provision for impairment losses.

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

Other receivables are recognised at fair value.

3.6 Cash and cash equivalents

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

3.7 Trade and other payables

These arise principally from the receipt of goods and services and deliverable FX trades to be settled in accordance with instructions from customers.

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

3.8 Derivative financial assets and liabilities

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

3.9 Offsetting of financial instruments

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

3.10 Provisions

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

3.11 Taxation

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

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

3.12 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

3.13 Pension costs

The Company operates a defined contribution pension scheme and outsources the administration of the pension scheme to a third party. The Company 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 Company payroll.

3.14 Investments in subsidiaries

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

3.15 Income recognition

Revenue is recognised when a binding contract is entered into by a client and the margin is fixed and determined. The margin is the difference between the rate offered to clients and the rate the Company receives from its liquidity providers. When the group enters into a contract for forward delivery with a client it also enters into a separate matched forward contract with its bankers. As each trade is booked back to back with a liquidity provider the margin is accounted for once the binding contract is formed.

3.16 Research and development

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

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

3.17 Treatment of research and development tax credits

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

3.18 Interest expense recognition

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

3.19 Property, plant and equipment

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

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

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

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

3.20 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 19.

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.

3.21 Leased assets

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

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

3.22 Critical judgements and estimations

Judgements

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

(i) Share based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 19. The accounting estimates and assumptions relating to these share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. The critical estimate is the term of the share option to vest.

(ii) Measurement of fair values

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

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

The most crucial assumption is the interest rate used to discount the future cash flows. A sensitivity analysis was performed on the GBP LIBOR rate where the three and six month rate was increased by 1%, The impact on the income statement would be a credit to the income statement of £17,852.

4. Revenue and segmental analysis

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

2016	Currency Cards	International Payments		Central	Total
		FairPay	Dealing		
	£	£	£	£	£
Segment revenue	6,016,606	773,823	3,002,024	402,521	10,194,974
Direct costs	-	-	-	(2,725,788)	(2,725,788)
Administrative expenses	-	-	-	(8,909,376)	(8,909,376)
Profit /(loss) before tax and from operations	6,016,606	773,823	3,002,024	(11,232,643)	(1,440,190)
Total assets	-	-	-	12,054,434	12,054,434
Total liabilities	-	-	-	(7,662,178)	(7,662,178)
Total net assets	-	-	-	**4,392,256**	**4,392,256**

2015	Currency Cards	International Payments		Central	Total
		FairPay	Dealing		
	£	£	£	£	£
Segment revenue	4,659,431	828,044	1,976,475	508,956	7,972,906
Direct costs	-	-	-	(2,278,845)	(2,278,845)
Administrative expenses	-	-	-	(9,089,459)	(9,089,459)
Loss before tax and from operations	4,659,431	828,044	1,976,475	(10,859,348)	(3,395,398)
Total assets	-	-	-	5,871,618	5,871,618
Total liabilities	-	-	-	(5,163,166)	(5,163,166)
Total net assets	-	-	-	**708,452**	**708,452**

5. Loss before tax

Loss before tax is stated after charging the following:-

	2016	2015
	£	£
Operating lease – property	271,487	258,790
Depreciation of plant and equipment and fixtures and fittings	53,423	55,165
Net foreign currency differences	(119,507)	151,822
Research & development costs	902,643	714,847
Research and development costs	(220,020)	(183,186)

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

	2016	2015
	£	£
Audit fees:-		
Fees payable for the audit of the annual report and financial statements	40,000	21,000
Fees payable for the audit of subsidiaries	40,000	24,000
Total audit fees	80,000	45,000
Other services:-		
Taxation services	-	-
Corporate finance services	-	-
Other assurance services	-	-
Total non-audit fees	-	-
Total Fees	**80,000**	**45,000**

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

6. Staff costs

Number of employees

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

	2016	2015
	Headcount	Headcount
Administrative staff	66	65

Employee costs

	2016	2015
	£	£
Wages and salaries	3,587,934	3,101,177
Social security costs	417,660	351,254
Pension costs	10,008	-
	4,015,602	**3,452,431**

Further information regarding share options is given in note 19.

Notes to the consolidated financial statements (continued)

7. Directors' remuneration

	2016	2015
	£	£
Emoluments	571,871	366,621

The total amount payable to the highest paid director in respect of emoluments was £433,742 (2015: £227,500)
The total amount payable to all Directors in the consolidated Group was £682,057 (2015: £468,288).
There were pension payments of £402 (2015: Nil) in the year. Further information regarding share options is given in note 19.

8. Taxation

	2016	2015
	£	£
Current year tax expenses	-	-

Factors affecting tax charge for the period

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

	2016	2015
	£	£
Loss before taxation: Continuing operations	(1,440,190)	(3,395,398)
Taxation at the UK corporation rate tax of 20% (2015: 20%)	(288,038)	(687,568)
Capital allowances in arrears /(advance) of depreciation	672	6,626
Share based payments	200	78,628
Net impact of R&D tax credit claim	66,344	92,349
Expenses not deductible for tax purposes	8,447	9,882
Tax losses for which no deferred tax asset utilised	212,375	500,083
Total tax for the year	-	-

The group has estimated losses of £9,126,793 (2015: £8,612,311) available for carry forward against future trading profits. The company and group have incurred losses in the current year. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset will be taken at such point recovery is reasonably certain, when the group returns to profitability. The Group has an unrecognised deferred tax asset of £1,825,359 (2015: £1,722,462) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

During the year ended 31 December 2013 the UK Government enacted provisions reducing the rate of corporation tax from 21.0% to 20.0% from 1 April 2015.

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

Therefore the standard rate of corporation tax applicable to the Group for the year ended 31 December 2016 was 20.0%, the rate in the year ended 31 December 2017 is expected to be 19.25%, the rate in the years ending 31 December 2018 and 31 December 2019 are expected to be 19.0%, the rate in the year ending 31 December 2020 is expected to be 17.5% and the rate in subsequent years is expected to be 17.0%

9. Loss per share

Basic loss per share
The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The loss after tax attributable to ordinary shareholders is £1,440,190 (2015: £3,395,398 loss) and the weighted average number of shares in issue for the period is 96,732,842 (2015: 71,316,169).

Diluted loss per share
The calculation of diluted earnings per share has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The loss after tax attributable to ordinary shareholders is £1,440,190 (2015: £3,395,398 loss) and the weighted average number of shares is 96,732,842 (2015: 71,316,169).

10. Property, plant and equipment

Group	Plant and machinery	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2016	236,196	14,632	39,651	290,479
Additions	45,838	2,089	-	47,927
At 31 December 2016	**282,034**	**16,721**	**39,651**	**338,406**
Depreciation				
At 1 January 2016	192,436	9,430	7,859	209,725
Charge for the year	47,431	2,027	3,965	53,423
At 31 December 2016	239,867	11,457	11,824	263,148
Net book value				
At 31 December 2016	42,167	5,264	27,827	75,258
At 31 December 2015	**43,760**	**5,202**	**31,792**	**80,754**

11. Investments

Company - Shares in subsidiary undertakings	2016	2015
	£	£
Cost	1,260,857	884,969
Additions	9,982,603	375,888
At 31 December	**11,243,460**	**1,260,857**
Provisions for diminution in value		
At 31 December	-	-
Net Book Value		
At 31 December	11,243,460	1,260,857

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:

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

* Share capital held indirectly

Notes to the consolidated financial statements (continued)

12. Inventories

Group	2016	2015
	£	£
Finished goods	229,905	95,094

The group's inventories comprise stock of cards.

13. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade receivables	1,922,977	1,046,473	-	-
Amounts due from group undertakings	-	-	-	4,624,571
Other receivables	768,285	811,977	-	-
Prepayments and accrued income	310,140	106,553	-	-
	3,001,402	**1,965,003**	**-**	**4,624,571**

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 18.2.

14. Cash and cash equivalents

Group	2016	2015
	£	£
Cash at bank	8,523,985	3,615,056

Included in cash and cash equivalents at 31 December 2016 was £5,022,092 of customer trading funds (2015: £2,877,514).

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

15. Share capital

Group and Company	2016	2015
	£	£
Authorised, issued and fully paid up capital		
103,116,039 ordinary shares of £0.01 each	1,031,160	768,660

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

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

Date of Issue	No Shares Issued	Price per share	Gross value of shares issued	Nominal Value of shares issued	Cost of share issues	Share Premium
29th March 2016	26,250,000	£0.20	£5,250,000	£0.01	£262,500	£4,860,493

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.

Notes to the consolidated financial statements (continued)

16. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade payables	6,803,255	3,950,139	-	-
Amounts owing to group undertakings	-	-	234,038	-
Taxation and social security	130,368	115,918	-	-
Accruals and deferred income	580,598	397,868	19,500	19,500
	7,514,221	**4,463,925**	**253,538**	**19,500**

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current	7,514,221	4,463,925	253,538	19,500

17. Derivative financial assets and financial liabilities

17.1 Derivative financial assets

	Fair Value	Notional Principal	Fair Value	Notional Principal
	2016	2016	2015	2015
	£	£	£	£
Foreign exchange forward contracts	223,884	10,238,079	115,711	10,882,130
Total financial instruments at fair value	**223,884**	**10,238,079**	**115,711**	**10,882,130**

17.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

	Fair Value	Notional Principal	Fair Value	Notional Principal
	2016	2016	2015	2015
	£	£	£	£
Foreign exchange forward contracts	147,957	10,169,959	699,241	11,385,381
Total financial instruments at fair value	**147,957**	**10,169,959**	**699,241**	**11,385,381**

18. Financial instruments

The Group's financial instruments comprise cash and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group. In common with other businesses, the group is exposed to the risk that arises from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

18.1 Principal financial instruments

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

	2016	2015
	£	£
Financial instruments held at amortised cost		
Cash and cash equivalents	8,523,985	3,615,056
Trade and other payables	(7,514,221)	(4,463,925)
Trade and other receivables	3,001,402	1,965,003

	2016	2015
	£	£
Financial instruments held at fair value through profit or loss		
Derivative financial assets – Forward foreign exchange contracts	223,884	115,711
Derivative financial liabilities – Forward foreign exchange contracts	(147,957)	(699,241)

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 3.21(ii) since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).

18.2 Financial risk management objectives and policies

Credit risk

The Group trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked daily to ensure that the risk of exposure to bad debts is minimised and margined accordingly. The Group's risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group had no significant concentrations of risk with customers and counterparties at 31 December 2016.

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

The Group's cash balances are all held with major banking institutions. The majority of trade receivables are due from credit worthy customers and or financial institutions and are automatically settled within a few days of arising.

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

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

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

2016	Current and not impaired	Less than 3 months overdue	4 to 6 months overdue	Over 6 months overdue	Individually impaired	Total
	£	£	£	£	£	£
Trade and other receivables	3,001,402	-	-	-	-	3,001,402
Derivative financial assets	223,884	-	-	-	-	223,884

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

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.

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

2015	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	4,463,925	-	-	-	4,463,925
Derivative financial assets	230,564	245,436	223,241	-	699,241

Market risk

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

Interest rate risk

The Group is subject to interest rate risk as its bank balances are subject to interest at a floating rate. Due to the current low levels of borrowings, the Group is not materially affected by changes in interest rates.

Foreign currency risk

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

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

Fair value risk

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

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

31 December 2016	Loans and Receivables	Other financial liabilities	Total
	£	£	£
Financial assets not measured at fair value			
Cash and cash equivalents	3,615,056	-	3,615,056
Trade and other receivables	1,965,003	-	1,965,003
	5,580,059	**-**	**5,580,059**
Financial liabilities not measured at fair value			
Trade and other payables	-	(4,463,925)	(4,463,925)
	-	**(4,463,925)**	**(4,463,925)**

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

Capital management policy and procedures

The Group's capital management objectives are:

- to ensure that the group and company will be able to continue as a going concern; and
- to maximise the income and capital return to the company's shareholders.

The parent company is subject to the following externally imposed capital requirements:

- as a public limited company, the company is required to have a minimum issued share capital of £50,000.

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

- as a company regulated by the Payment Service Regulations 2009, the company is required to maintain a capital requirement of either 10% of fixed overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

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

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

19. 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 2016, there were a number of share based payment transactions within the group.

These movements are disclosed within the tables as follows

Notes to the consolidated financial statements (continued)

		At 1 January 2016	Granted during year	Exercised during year	Lapsed during year	At 31 December 2016
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	4,352,828	-	-	(238,889)	4,113,939
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	-	1,383,333	-	-	1,383,333
01/12/2016	0.27	-	300,000	-	-	300,000
Total Number of options		**5,360,578**	**1,683,333**		**(238,889)**	**6,805,022**

The above share options issued in FairFX Plc have been granted to both directors and employees of the group. At 31 December 2016, there were unexercised share options amounting to 6.6% of the company's total issued shares. Of the above options 5,150,222 (2015: 4,055,778) have been granted to directors of the company, with an additional 904,800 (2015 :854,800) 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 2016	Granted during the year	
Weighted average share price (£)	0.45	0.29	
Weighted average exercise price (£)	variable	variable	a
Expected volatility	21%	36%	b
Expected option life in years	4.5	10	
Risk-free rate	1.09%	0.10%	
Expected dividends	none	none	
Fair value of the options granted (£)	variable	variable	c

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

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

The total fair value of the options is £668,422 (2015: £667,421). The charge expensed to the statement of comprehensive income is £1,001 (2015: £388,285).

20. Financial commitments

As at 31 December 2016 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	
	2016	2015
	£	£
Not later than one year	290,760	189,537
Later than one year and not later than five years	1,414,768	-
	1,705,528	**189,537**

The Group signed a lease on its office premises on 13th November 2016 at an annual rental of £290,760. The lease runs until 12th November 2022

21. Related party transactions

Key management personnel

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

	2016	2015
	£	£
Salaries, fees and other short term employee benefits	902,939	1,003,120

There are no other related party transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the year ended 31 December 2016.

22. Ultimate controlling party

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

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

23. Post balance sheet events

On 19th January 2017, the Group acquired the entire ordinary share capital of Q Money Limited. 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 consideration of up to £825,000 may be payable to Q Money over the next 3 years, 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.

Notes

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

www.fairfx.com