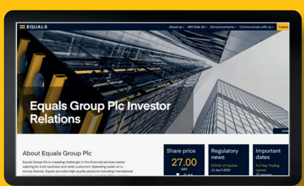
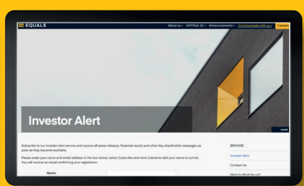
EQUALS GROUP PLC ANNUAL REPORT 2020

Annual Report 2020

EQUALS

Equals Group PLC





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Equals Group PLC

About Equals

Equals is a leading payments company offering SMEs a suite of payments products across FX transactions, prepaid card solutions, Faster Payments and accounts into which receipts can be credited and payments made. The Group enables its personal and business customers to make easy, low-cost payments both domestically and in a broad range of currencies, across a range of products, all via one integrated system.

Equals provides money movement services to both business and personal customers through five inter-connected channels: International Payments; Corporate Expenses platform; Bank Accounts; and Travel Money, comprising currency cards and physical currency. The International Payments channel supports wire transfer foreign exchange transactions direct to bank accounts. For corporates, Equals has a market-leading business expenses solution based around its corporate platform and prepaid card, which yields significant cost savings via tighter control on expenses before they are incurred, coupled with eliminating inefficient processes. Equals also offers business and retail bank accounts with all the payments functionality offered by banks, namely faster payments, BACs, direct debits, international payments and a debit card. The Travel Money offerings (retail currency card and physical currency) represent cost-effective and secure methods for travelers to spend abroad.

Equals Group PLC (the "Company") is a public limited liability company incorporated in England and Wales and domiciled in the UK whose shares are admitted to AIM, a market operated by The London Stock Exchange. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group").

Our Values:

Make it happen; Succeed together; Be the customer; Go beyond

Business developments

Highlights

- B2B Payments agreement with HomeSend (a joint venture between MasterCard and eServeGlobal), via an API, utilising the Group's outstanding FX capabilities in conjunction with its directly connected and settling status with the Faster Payments network;
- Implementation of core payment partnership with Citi, supplementing existing arrangements with Barclays and Royal Bank of Scotland and providing additional functionality and improved 'in-country' settlement capabilities paving the way to straight-through processing ("STP");
- Refined the Equals Go-To-Market strategy under the Equals umbrella to be Equals Money for B2B customers and FairFX for B2C customers;
- Launch of an all-new customer-facing international payments product: 'Equals Pay'. This is a functionality-rich self-service platform that will help customer acquisition whilst increasing capacity and efficiency;
- Rebuild and rebrand of the B2C FairFX website and app to support a new multi-currency card offering;
- Acquisition of Effective FX, a predominantly B2B focused international payments business with over 200 corporate clients and strong B2B sales culture;
- Implementation of:
    - a new CRM system;
    - a new customer services platform across the Group, fully integrated with both the new CRM and telephony solutions; and
    - a new compliance system to lower onboarding friction particularly for B2B customers.
- Further investment into finance, compliance and regulatory capabilities.

Financial summary and highlights

2020 Financial Summary

In £ millions	FY-2020	FY-2019 Restated	Change
Underlying transaction values	**3,493**	**2,888**	**+605**
- B2B*	2,843	2,156	+687
- B2C*	650	731	-81
Revenue	**29.0**	**30.9**	**-1.9**
- B2B*	20.3	18.5	+1.8
- B2C*	8.7	12.4	-3.7
Gross profit	18.3	20.6	**-2.3**
Capitalised internal software	(4.4)	(8.3)	**+3.9**
Separately reported items	(2.6)	(3.4)	**+0.8**
Adjusted EBITDA**	1.2	5.6	**-4.4**
R&D Credits	1.4	3.5	**-2.1**
Loss after taxation	(6.9)	(5.4)	**-1.5**

FY-2020 Highlights

- Successful refocus on business customers with B2B transactions up by 32%
- International Payments: revenue increased by 46%; and its B2B segment revenue increased by 51%
- Total B2B revenues represented 70% (FY-2019: 56%)
- Non travel-money revenues increased by 18% to £26.6 million (FY-2019: £22.9 million)
- Over 18,000 active unique B2B customers
- Total underlying expenditure reduced by 18% from £30.6 million to £25.0 million
- Cash break-even achieved in Q4-2020
- Further bolt-on acquisition of Effective FX in October 2020
- Adjusted EBITDA of £1.2 million, ahead of market expectations and achieved against COVID-19 and Wirecard headwinds
- The 49% reduction in staff costs capitalised combined with COVID-19/Wirecard headwinds and single-year R&D tax relief led to loss after tax widening from £5.4million to £6.9 million

* *Transactions with business customers are reported as 'B2B' and transactions with retail customers reported as 'B2C',*

** *Adjusted EBITDA is defined as: earnings before depreciation, amortisation, impairment charges, share option charges, foreign exchange differences and separately reported items. Separately reported items are large, non-recurring items.*

Directors and advisors

The Board

A R F HUGHES
(Non-Executive Director appointed 1 March 2020 and appointed Chair from 1 July 2020)

I A I STRAFFORD–TAYLOR
(Chief Executive Officer)

R Q M COOPER
(Chief Financial Officer)

S A HERBERT
(appointed 1 October 2020)

J PEARSON
(Non-Executive Director; resigned as Chair 30 June 2020, resigned 9 October 2020)

R M HEAD
(resigned 1 October 2020)

A CHOWDHURY
(resigned 29 July 2020)

A QUIRKE
Company Secretary

Advisors

Registered Number
08922461 (England and Wales)

Registered Office
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68 Upper Thames Street,
London EC4V 3BJ,
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Independent Auditors
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No 1 Spinningfields
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Manchester M3 3EB,
England

Solicitors
Browne Jacobson LLP
6 Bevis Marks,
London EC3A 7BA,
England

Nominated Advisor and Broker
Canaccord Genuity Limited
88 Wood Street,
London EC2V 7QR,
England

Investor Relations
Buchannan Communications Limited
107 Cheapside,
London EC2V 6DN,
England

Registrar
Link Group
Unit 10, Central Square,
29 Wellington Street,
Leeds LS1 4DL,
England
Telephone 0871 664 0300

History

March 2021	Partnership with Tap Global to provide cyptocurrency liquidity
October 2020	Acquisition of Effective FX
November 2019	Acquisition of Casco Financial Services Limited
September 2019	New five-year agreement with Mastercard
August / September 2019	Capital raise and share placing for acquisitions, raising £14.5m net of expenses for expansion
August 2019	Acquisition of Hermex FX
July 2019	Banking partnership with Citi Commercial Bank
June 2019	Rebrands group as Equals
June 2019	Acquired credit broker licence
February 2019	Becomes part of Bank of England's Faster Payments Scheme
2018	Partnership with US bank Metropolitan Commercial Bank
February 2018	Acquisition of City Forex
August 2017	Acquisition of CardOneBanking
January 2017	e-Money licence obtained via acquisition of Q-Money
2014	IPO on AIM
2013	Customer milestone, over 500,000 registered customers
2012	Launch of expense platform
2010	Launch of international payments platform
2007	Foundation of travel cash business

Strategic Report

Chairman's statement

I joined the board in March 2020 and became Chair in October, after a handover period from my predecessor John Pearson whom I thank for his diligence and assistance.

The Group offers a range of payments services, including FX and faster payments, to businesses and individuals. It seeks to offer better service and ease of use than conventional providers using its own IT platform.

The Group had entered 2020 with its eye on aggressively growing its revenue across multiple markets and beginning to trim back its engineering cost base. Then the COVID-19 pandemic, resulting in international and domestic restrictions on movement, inevitably impacted both retail FX volumes and our corporate card product with its focus on the film industry.

Management immediately changed its priorities and focused on cash preservation. Staff responded with alacrity to this, and to the unexpected need to replace Wirecard AG and its subsidiaries ("Wirecard") as a supplier in our payments infrastructure. They protected and maintained customer services throughout, without major disruption to our customers and with business revenues up. Costs were reduced and the IT platform's scalability improved.

Despite the exceptional nature of 2020, the Group ended the year with a lower cost base, good net cash reserves and resilient revenues of £29 million, notably from the Group's services to business customers.

The Board has been very pleased with the Group's fortitude, but sad to have had it proven by such challenging conditions. The performance details are in the Chief Financial Officer's Report on pages 14 to 23.

Other than myself and the former Chair, there were a number of other changes to the board with Ajay Chowdhury leaving in July and Bob Head leaving in October, both having helped and overseen the Group's development since the IPO in 2014. We are grateful for their contribution and wish them well in their other pursuits. Sian Herbert, a former partner in PricewaterhouseCoopers joined as independent Non-Executive Director and Chair of the Audit and Risk Committees. We expect to announce further Non-Executive board appointments in the near future.

The Group is acutely conscious of its role as a responsible employer, and I am proud to say we have a very diverse workforce. As an office-based service business, our environmental footprint is low, but we remain mindful of improvements that can be made. We have produced an environmental, social and governance ("ESG") report on pages 30 to 40 which details the Group's values and achievements in this field.

Following the hard work of the senior management team to streamline the business during 2020, we entered 2021 with a more efficient and more scalable operation. One that we hope and intend will enable us to take advantage of a post-pandemic recovery.

ALAN HUGHES
Chair

7 April 2021

Chief Executive Officer's Report

21% ↑	6% ↓	9% ↑	
Turnover (Transaction values) £3,493 million	Revenue £29.0 million	B2B revenues £20.3 million	Cash break-even in Q4 2020

OUR ORIGINAL OBJECTIVES FOR 2020

The main objective of the Group for 2020 was to continue to grow rapidly with an increasing focus on its B2B customers and products. This growth would be achieved by harnessing the power of the payments infrastructure and connectivity put in place in 2019, and was to be further augmented during 2020, to drive increased volumes through international payments, the Equals Spend card platform and the banking services platform.

COVID-19

The World Health Organisation declared COVID-19 a global pandemic on 11 March 2020. The immediate impacts of this were a contraction in B2B trading in line with reduced economic activity and a virtual closure of the Group's B2C travel money products. Due to the first lockdown being imposed, the Group immediately implemented our business continuity plan and seamlessly moved staff to work from home. The success of moving a complex payments business with strict security protocols and regulatory and compliance regulation to a remote working status proves the value of the investments in digital-services infrastructure we made in 2019. Concurrently, the Board accelerated a planned restructuring and re-sizing of the Group which yielded a significantly reduced cost base and headcount whilst positioning the business ideally for further B2B-led growth by relentless focus on the Group's product roadmap, marketing strategies and cross-selling. The Group availed itself of the Government's furlough scheme and drew down £2 million under the Coronavirus Business Interruption Loan Scheme ("CBILs").

WIRECARD

As reported in the Group's interim results and widely reported in the press, the demise of Wirecard (the biggest prepaid card issuer in the UK), affected the Group as the Group issued cards using Wirecard for all its B2C and some of its B2B programs. The net result was that the Group had to accelerate its development of a new multi-currency card platform, supporting both website and app, and to migrate its entire B2C customer base by the end of October 2020. This work and migration necessitated significant diversion of resources, mainly management and staff time, as well as the write-off of previously incurred costs of inventory and similar. It was a remarkable achievement by the Group's staff, and demonstrated the robustness of the Group's underlying platform, that a full migration of over 150,000 cards was achieved by end of October at which point the Group had, in just four months, moved to a superior platform with a better product and enhanced economics.

MARKETPLACE AND COMPETITIVE LANDSCAPE

The payments market overall is massive, comprising as it does, all the various payment mechanisms and customer bases. The Group is somewhat unique in that it spans UK banking services and payments, international payments and card-based payments solutions. Most competitors specialise in one of these segments but not all. In addition, the well-funded FinTech "unicorns" are still focussed on the B2C space with the over-riding key performance indicator of customer numbers, whereas the Group is firmly focussed on the B2B customer space.

Despite the growth of FinTech, it remains the case that most of the customer payments activity still flows through the incumbent banks and it is winning business from these institutions that is the sales focus for the Group. To achieve this, the Group has assembled "bank-grade" payments connectivity overlaid with vastly superior user experience than the many incumbents. In addition, the Group's products are set up so that they do not require B2B customers to change their banking provider, they just have to use the Group for the individual services that they require.

Nevertheless, the role of London as a FinTech centre means that staff cost inflation is high and accordingly the Group is in the process of moving roles where possible to our Chester facility and tapping into the great talent pool in the North-West of England.

Within International Payments, the Group has identified the SME segment of the B2B sector as the optimal target audience for its products and services. The Group's "target" customer is an SME between 50-500 employees with domestic UK and overseas payment needs. Engineering, product and design resources are focused on providing solutions to this customer segment, however the Group's products equally serve smaller and larger B2B customers.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Other Achievements and product launches

- B2B Payments agreement with HomeSend (a joint venture between Mastercard and eServeGlobal) via an API, utilising the Group's outstanding FX capabilities in conjunction with its directly connected and settling status with the Faster Payments network;
- Implementation of core payment partnership with Citi supplementing existing arrangements with Barclays and Royal Bank of Scotland and providing additional functionality and improved "in-country" settlement capabilities paving the way to straight-through-processing ("STP");
- Refined the Equals Go-To-Market strategy under the Equals umbrella to be Equals Money for B2B customers and FairFX for B2C customers;
- Launch of an all-new customer-facing international payments product: "Equals Pay." This is a functionality-rich self-service platform that will help customer acquisition whilst increasing capacity and efficiency;
- Rebuild and rebrand of the B2C FairFX website and app to support a new multi-currency card offering;
- Acquisition of Effective FX, a predominantly B2B focused international payments business with over 200 corporate clients and strong B2B sales culture;
- Implementation of:
  - a new CRM system to improve both new customer acquisition and maximisation of revenue opportunities from existing client base;
  - a new customer services platform across the Group improving efficiency and productivity of the customer services team. The platform is fully integrated with both the new CRM and telephony solutions providing further opportunities for cross-selling and customer retention;
  - a new compliance system to lower onboarding friction particularly for B2B customers
- Further investment into finance, compliance and regulatory capabilities. The regulatory burden in the payments industry is constantly increasing and the Group sees its capability here as a competitive advantage.

FINANCIAL PERFORMANCE

Underlying transaction values

The pivot towards B2B resulted in not only a 21% increase in overall transaction values to £3.5 billion, but also a 24% growth in H2-2020 over H1-2020. These overall increases however mask a significantly better performance in International Payments (up 52% compared with FY-2019 and up 25% in H2-2020 compared with H1-2020). Inevitably, the Corporate Spend platform and retail facing products saw decreased volumes with the opportunities for travel severely curtailed by COVID-19. Details of the transaction values are shown in Table 1 below:

Table 1*

£millions	International Payments	Corporate Expense	Cash & retail cards	Banking Services	TOTAL
B2B					
H2-2020	1,126	123	7	378	1,633
H1-2020	818	93	12	286	1,209
FY-2020	**1,944**	**216**	**19**	**664**	**2,843**
FY-2019	1,214	271	68	604	2,157
Year-on-year change	60%	(20%)	(72%)	10%	32%
B2C					
H2-2020	191	–	29	80	299
H1-2020	237	–	36	78	351
FY-2020	**428**	**–**	**64**	**158**	**650**
FY-2019	348	–	217	166	731
Year-on-year change	23%		(70%)	(5%)	(11%)
TOTALS					
H2-2020	1,317	123	35	457	1,933
H1-2020	1,055	93	48	364	1,560
FY-2020	**2,372**	**216**	**83**	**821**	**3,493**
FY-2019	1,562	271	285	770	2,888
Year-on-year change	52%	(20%)	(71%)	7%	21%

* *A detailed review of the underlying data has led to some minor re-profiling of H1 2020 and prior year disclosures Totals may not sum due to roundings. Percentages are calculated on the underlying figures before rounding.*

Revenue and revenue margins

Total revenue for the year was just shy of £29 million compared to the pre-COVID-19 environment revenue in FY-2019 of £31.0 million. Very encouragingly, revenue in H2-2020 rose by 10% over H1-2020 to £15.2 million.

Table 2 below splits out the revenue by component and by half-year. The retail cash and card products have been combined in this analysis to show the impact of COVID-19 across these retail products.

Table 2*

£000's	International Payments	Corporate Expense	Cash & retail cards	Rebates and other income	Banking Services	TOTAL
B2B						
H2-2020	7,373	1,765	136	488	1,284	11,047
H1-2020	6,242	1,310	230	177	1,282	9,241
FY-2020	**13,615**	**3,075**	**366**	**665**	**2,566**	**20,288**
FY-2019	9,000	3,976	1,249	1,607	2,712	18,545
Year-on-year change %	51%	(23%)	(71%)	(59%)	(5%)	9%
B2C						
H2-2020	1,757	–	774	287	1,322	4,141
H1-2020	1,991	–	1,229	89	1,222	4,531
FY-2020	**3,748**	**–**	**2,003**	**376**	**2,544**	**8,672**
FY-2019	2,929	–	6,840	10	2,621	12,400
Year-on-year change %	28%	–	(71%)	3662%	(3%)	(30%)
TOTALS						
H2-2020	9,130	1,765	911	776	2,606	15,188
H1-2020	8,233	1,310	1,459	266	2,504	13,772
FY-2020	**17,363**	**3,075**	**2,369**	**1,042**	**5,110**	**28,960**
Business mix %	60%	11%	8%	4%	18%	
H2-2020 v H1-2020	11%	35%	(38%)	192%	4%	10%
FY-2019	11,929	3,976	8,089	1,617	5,333	30,945
Business mix %	39%	13%	26%	5%	17%	
Year-on-year change %	46%	(23%)	(71%)	(36%)	(4%)	(6%)

* *A detailed review of the underlying data has led to some minor re-profiling of H1 2020 and prior year disclosures. Totals may not sum due to roundings. Percentages are calculated on the underlying figures before rounding.*

Revenue margins in International Payments were slightly softer at 73bp (FY-2019: 76bp), and in Banking at 31bp (FY-2019: 35bp).

Close to 10% of trades were in forward FX (2019: 18%) at close to 100bp per trade.

Cash break-even

The resizing and restructuring of the business, which began in 2019, was greatly accelerated by the outbreak of COVID-19. It was the stated aim of the Board to get our cost run-rate low enough to achieve cash break-even within Q4-2020, even with the effects of the pandemic on revenues. The Group achieved this whilst continuing to invest in its product suite together with its sales and marketing capabilities, and the Board is proud to achieve this performance against the backdrop of the cash-burning Fintech competitor community.

Board composition

After many years combined service, John Pearson, Robert Head, and Ajay Chowdhury stepped down from the Board this year and I thank them for their wise counsel and diligence. Alan Hughes joined the board as a Non-Executive Director in March and became Non-Executive Chairman on the date of the Group's AGM at the end of June. Sian Herbert joined the Board as a Non-Executive and Head of the Audit and Risk Committees in October 2020. Under governance guidelines, both are considered to be Independent Non-Executive Directors.

Product update

Unified platform

The clear focus for the Group in 2021, and beyond, is to continue to grow its B2B payments capabilities through the further development of the "Equals Money" proposition whilst ramping up the Group's sales and marketing in this sector. Equals Money is the unified platform that incorporates the payments, cards and current account solutions that the Group can offer and ties directly into the strategic vision for the Group to simplify money movement.

The work undertaken in 2019 and 2020 forms a key component of this proposition. Assembly of bank-grade security and connectivity, including the integration into the Faster Payments network and the implementation of the Citibank partnership to provide "local" settlement in over 40 countries, form the underlying scalable and secure platform for clearing payments efficiently. This backbone is overlaid by "better than banks" technology to provide customers with the products and platforms they need to make payments, both by account-to-account transfer and by cards, in easily accessible (via enhanced onboarding system) and simple to use applications. Investments made in 2020 into the Group's customer services platform, telephony and the new CRM system mean that the Group can not only onboard the customer but also service them to the highest levels with human interaction.

With this impressive capability now assembled, the twin priorities in 2021 are to further refine the platform whilst increasing the Group's sales and marketing efforts to win more customers and grow revenues.

Own-name IBANs

A key component of further enhancing the platform is the ability to give customers "own-name" multi-currency IBAN numbers. This functionality enables the Group to give a customer one account into which all their international payment transactions can flow in and out seamlessly and rapidly. Even more importantly, the account being in the customer's own name makes dealing with suppliers and customers much simpler and utilising the Group for this aspect of their business does not require them to change their main banking provider. Own-name IBANs was delivered on the scheduled date in the Group's development roadmap for 2021.

Linked cards

Other product deployments in the first quarter of 2021 included the delivery of "Linked Cards" on the Group's FairFX B2C card platform. This capability allows users to set up additional users on their account that can either share in the balance on the primary card or alternatively only receive funds via a push-transaction from the primary card. This functionality will enable the FairFX B2C cards to widen their use-case from only travel money applications to also provide pocket-money solutions for children of existing cardholders.

Dealer platform

In addition, further enhancements to the Group's Equals Pay International Payments platform were delivered concurrently with the deployment of a new internal dealer platform, called "Exchange", which integrates directly with the new CRM system.

Major product developments for the rest of 2021 include –

- further enhancements to the payment processing engine to enable complete STP, both inbound and outbound;
- improvements to the Pay platform, specifically around forward contracts and bulk payments functionality;
- additional card capabilities for both B2B and B2C including real-time payment authorisations by Equals, virtual cards, Apple Pay and Google Pay;
- implementation of Group-wide omni-product transaction monitoring and risk systems, utilising machine-learning capabilities; and
- the integration of Equals Money products into accountancy software provider offerings.

Sales and marketing

In conjunction with the developments listed above, the Group will be accelerating its sales and marketing efforts, particularly in the B2B space. A root-and-branch review of the Group's sales effort was completed in March 2021 and the recommendations from that will be implemented during the remainder of the year. In keeping with Equals Money being the combination of the Group's Payments, Cards and Banking products, the new sales force will be selling the combined product suite. This will involve a combination of re-training, recruitment, and incentive plans to drive cross-selling and the investment in the new CRM system is vital to the success of this effort.

As the Group has seen in recent years, hastened even further by the collapse of Wirecard in June 2020, the compliance and regulatory oversight of payment institutions is increasing significantly. The Group has always been at the forefront of compliance practice and views this increased focus as a competitive opportunity, as many smaller companies will not be able to meet the standards required. Accordingly, the Board continues to look for accretive acquisitions where the compliance overhead for the company can be removed and bring their business onto the Group's superior platform and thereby free them to concentrate on growing their revenues.

Overall, whilst the COVID-19 pandemic is by no means over, especially its ongoing effects on international travel, the Group are seeing consistent turnover increases in International Payments and the Corporate Spend platform. The Board envisages further growth across the Equals Money product suite as enhanced product capabilities combine with the Group's sales and marketing initiatives. In addition, incremental enhancements to the Group's operational systems and payments connections will yield further capacity for scale and efficiencies.

Current trading and future prospects

From this time last year, the Group has cut its headcount by around 25% and reduced its monthly costs by around £400,000. Revenue during the continuing COVID-19 lockdown of Q1-2021 was above £8 million against the pre-COVID-19 Q1-2020 revenue of £8.1 million. On an annualised run-rate basis, revenue per head is now £120k pa (Q1-2020: £90k), a productivity increase of a third. In addition, incremental additions to the Group's operational systems and payments connections will yield further capacity for scale and efficiencies.

Capital markets day

On 6th May 2021, the Group will host its first ever Capital Markets Day. This is an opportunity for the Group to showcase its people, current products and capabilities and the sales and development roadmaps. This will enable investors to gain a deeper understanding of the business and an insight into the future strategic direction of the Group.

Employees

Finally, a review of FY-2020 and the prospects of the Group would not be complete without a word about our employees. We have always had an employee base that was dedicated, hardworking and loyal but the pandemic really emphasised the strength of our people. They have shown both diligence and fortitude through the year, accepting salary sacrifices during lockdown whilst seeing many of their colleagues either on furlough or leaving the Group permanently as we downsized. We have emerged from the challenges of 2020 with a fantastic, cohesive and motivated group of people who are collectively driving the business forward. I am tremendously grateful to all of them, individually and collectively, for everything they did in the year and are continuing to deliver in 2021.

IAN STRAFFORD-TAYLOR
Chief Executive Officer

7 April 2021

Chief Financial Officer's Report

PART A: INTRODUCTION

To aid readers of these financial statements, the Group has chosen to present the primary statements in an alternative format and explain the major movements to the prior year along with issues of accounting impact and judgement.

Totals may not sum due to rounding. Percentages are calculating on underlying figures before rounding.

As a result of the strategic pivot from B2C towards B2B, this review starts with a "dashboard" look at the business performance and then takes readers through a granular examination of the income stream and cost dynamics. This is shown below in Table 3, which is net of Separately Reported Items (see note G).

Table 3

	Payments	Cards	Banking	Rebates and similar	TOTAL
B2B METRICS					
Number of active accounts	4.4k	8.9k	4.9k		
x Transactions per day	0.2k	1.3k	2.1k		
x Average transaction size	£32k	£0.6k			
x Average margin (in bps)	70	160	40		
= Revenues per day	£54k	£12k	£10k		£76k
x working days in period					
= Revenue	£13.6m	£3.1m	£2.6m	£1.0m	£20.3m
					+
Add: B2C REVENUE					£8.7m
TOTAL REVENUE					**£29.0m**
x Contribution margin					59%
= CONTRIBUTION					**£17.1m**
Less: Gross costs (excluding separately identified items)			£(23.6)m		
% booked through income statement			67%		
			→		£(15.9)m
ADJUSTED EBITDA					**£1.2m**

A detailed review of the underlying data has led to some minor reprofiling of H1-2020 and prior year disclosures. Totals may not sum due to rounding. Percentages are calculated on the underlying figures before rounding.

The Group reacted quickly to the COVID-19 pandemic, the effect of which had a dramatic impact on revenues. The Group immediately accelerated its re-sizing program which involved reducing costs in all areas of the business, without jeopardising its product roll-out program.

Adjusted EBITDA fell by £4.4 million from £5.6 million to £1.2 million. The three principal reasons for this reduction were:

- Reduction in revenue, translating into a reduction in contribution of £1.8 million
- £3.8 million reduction in the amount of staff costs capitalised, offset by:
- a reduction in staff and other costs of £1.2 million, resulting in a net increase in costs taken to the P&L of £2.6 million

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

PART B: INCOME AND EXPENSE ACCOUNT

INCOME AND EXPENSE ACCOUNT AND ITS COMPONENTS:

Table 4 – Income and Expenditure account and notes

		Note	H1-2020	H2-2020	FY-2020	FY-2019
In £000's						
Revenue		A	13,772	15,188	**28,960**	30,945
Less: Variable costs			(5,034)	(5,636)	**(10,670)**	(10,378)
Gross profit		B	8,738	9,552	**18,290**	20,567
	Ratio		63.4%	62.9%	**63.2%**	66.5%
Marketing			(799)	(407)	**(1,206)**	(2,037)
Contribution		B	7,939	9,145	**17,084**	18,530
	Ratio		57.6%	60.2%	**59.0%**	59.9%
Staff costs		C	(5,458)	(6,103)	**(11,561)**	(9,801)
IT & telephone		D	(549)	(750)	**(1,299)**	(878)
Professional fees		E	(641)	(788)	**(1,429)**	(959)
Property and office costs		F	(437)	(556)	**(993)**	(803)
Travel			(157)	(76)	**(233)**	(451)
Bad debt provisions			–	(357)	**(357)**	–
Other costs			(25)	(23)	**(48)**	(62)
Net other costs			(7,267)	(8,653)	**(15,920)**	(12,954)
***Adjusted EBITDA**		L	672	492	**1,164**	5,576
Separately reported items:		G				
COVID-19 related costs			(445)	(1,119)	**(1,564)**	–
Wirecard related costs (non-cash)			(530)	(540)	**(1,070)**	–
Management exceptional items			–	–	**–**	(3,423)
			(975)	(1,659)	**(2,634)**	(3,423)
Acquisition costs		H	–	(130)	**(130)**	(478)
Share option charges			(195)	(249)	**(444)**	(123)
EBITDA		L	(498)	(1,546)	**(2,044)**	1,552

* *Adjusted EBITDA is defined as earnings before: interest, depreciation, amortisation, impairment charges, share option charges, foreign exchange differences and separately reported items.*

A detailed review of the underlying data has led to some minor reprofiling of H1-2020 and prior year disclosures. Totals may not sum due to rounding. Percentages are calculated based on the underlying, rather than table, data.

NOTE A – REVENUE

COVID-19 had a more significant impact on the revenues from retail-facing products, resulting in total revenue being softer at £29.0 million (2019: £31.0 million).

The most significant changes were:

- B2B revenues surged to 70% of the total (FY-2019: 56%).
- International payments revenue increased by 46% and within that B2B revenues increased by 51%.
- Revenue from Equals Connect, the Group's white-label platform grew rapidly with £0.9 million earned in H1-2020 and £1.5 million earned in H2-2020.
- Revenues from non travel-money products increased by 18% to £26.6 million (FY-2019: £22.9 million).
- Whilst revenue from the Corporate Expense platform contracted by 23% from FY-2019, growth resumed in H2-2020 by 35%.
- Retail cards and travel cash, the B2C exposed travel products, inevitably contracted compared to FY-2019 and H2-2020 was lower than H1-2020.
- FY-2019 revenue benefited from rebates of £1.6 million including some one-offs. FY-2020 rebate revenues were £1.0 million.

NOTE B – GROSS PROFITS AND CONTRIBUTION

There is an interaction between direct costs (which includes variable revenue-share arrangements) and marketing expenditure. The Group's marketing department review the effectiveness of CPA arrangements (shown within direct costs) and marketing costs and move expenditure to the more efficient cost silo. Marketing costs, net of separately reported items, are shown below:

Table 5: Marketing costs

£000's	H1–2020	H2–2020	FY–2020	FY–2019
Gross costs	799	407	**1,206**	4,090
Less: Separately reported items	–	–	**–**	(2,053)
Net costs	799	407	**1,206**	2,037

Contribution margin was virtually unchanged at 59% (2019: 60%).

Excluding Equals Connect, the Group's white label platform, the underlying margin on International Payments was 70% in FY-2020 (FY-2019: 68%),

The white-label business (Equals Connect) acquired in November 2019 contributed £0.6 million of contribution in FY-2020 (FY-2019: £0.05 million), with a contribution margin of 26%.

Contribution, and contribution margins are shown below:

Table 6: Contribution

£000's	International Payments	Banking	Cards and cash	FY–2020	FY–2019
Revenue	17,363	5,110	6,487	**28,960**	30,945
Variable costs	(6,469)	(1,356)	(2,845)	**(10,670)**	(10,378)
Marketing	–	(607)	(599)	**(1,206)**	(2,037)
	(6,469)	(1,963)	(3,444)	**(11,876)**	(12,415)
Contribution 2020	10,894	3,147	3,043	**17,084**	18,530
%	63%	62%	47%	**59%**	60%
Contribution 2019	8,391	3,356	6,783	**18,530**	
%	70%	63%	50%	**60%**	

NOTE C – STAFF COSTS

Staff and Directors took a 20% salary reduction for three months in H1-2020, and 10% for two months in H2-2020. The total financial value of the sacrifices made by staff was around £1.0 million – and equates to a 7% cut in staff salaries in the year. The underlying monthly run-rate of payroll costs reduced from £1.4 million in January 2020 to £1.2 million in December 2020. It has subsequently fallen further to just above £0.9 million, although it is expected to rise marginally above that level in 2021.

Table 7 – Staff costs

£000's	H1-2020	H2-2020	FY-2020	FY-2019
Gross costs	8,366	9,159	**17,525**	18,497
less Furlough credit	(324)	(222)	**(546)**	–
	8,042	8,937	**16,979**	18,497
Less: Capitalised internal software	(2,241)	(1,761)	**(4,002)**	(7,801)
Less: Acquisition costs	–	(83)	**(83)**	(160)
Less: Separately identified items – COVID-19	(343)	(990)	**(1,333)**	–
Less: Separately identified items - other	–	–		(735)
Net staff costs	5,458	6,103	**(11,561)**	(9,801)

Staff numbers reduced from 331 In January 2020 to 272 in December 2020 and 257 in January 2021. A redundancy and exit programme was launched early in 2020 and resulted in £1.3 million of associated costs. The Group availed itself of the Government's furlough scheme with up to 72 employees being placed on furlough during the lockdown.

Part of the reduction in headcount was associated with the completion of a number of projects. The demise of Wirecard and the subsequent card migration diverted resources away from capital projects.

NOTE D – IT AND TELEPHONE

In the last three months of 2019, a number of decisions were taken to invest more in the security network, system resilience, and other IT tools and subscriptions required for the execution of the product roadmap. The full cost of this, together with increased hosting costs came through in 2020 leading to an increase in costs. These investments allowed the Group's employees to seamlessly work from home during the pandemic in a secure and compliant environment.

Table 8

£000's	H1-2020	H2-2020	FY-2020	FY-2019
Gross costs	759	959	**1,718**	1,180
Less: capitalised	(210)	(209)	**(419)**	(302)
Net IT & telephone	549	750	**1,299**	878

NOTE E – PROFESSIONAL FEES

There are two streams of professional fees which were material, but not treated as separately reported items:

a. Additional regulatory, but routine external audit costs of a subsidiary £125k.*

b. marketing consulting fees, £200k

As reported in the interims, the Group expects compliance costs to remain high for the foreseeable future.

One consequence of the COVID-19 pandemic was that the 2019 audit suffered delays as remote working was not entirely conducive to the verification process and there was a significant cost over-run of £160k but this shown as a separately reported item.

* S166 FSMA 2000

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 9

£000's	H1-2020	H2-2020	FY-2020	FY-2019
Gross costs	743	949	**1,692**	1,601
Less: acquisition costs	–	(48)	**(48)**	(318)
Less: Separately identified items	(102)	(114)	**(216)**	(324)
Net professional fees	641	788	**1,429**	959

NOTE F – PROPERTY AND OFFICE COSTS

The Group has property commitments in Chester for offices, and in London for both offices and retail outlets. Two retail outlets have been shuttered and exited.

Table 10

£000's	H1-2020	H2-2020	FY-2020	FY-2019
Gross costs	997	1,104	**2,101**	2,310
Less: Separately identified items	–	–	**–**	(151)
Less: Capitalised internal software	(45)	–	**(45)**	(204)
Less: IFRS16 adjustment	(515)	(548)	**(1,063)**	(1,152)
Net property and office related costs	437	556	**993**	803

NOTE G – SEPARATELY REPORTED ITEMS

With the demise of Wirecard AG and its UK operating subsidiary, the Group has made provisions of £652k against card-stock and prepaid issuance costs (normally amortised over three years).

The Group's action plan to downsize with the onset of COVID-19 resulted in costs of £1.6 million split largely between staffing costs of £1.3 million, and additional professional fees – mainly audit over-run costs. The Group's recognition of the costs associated with these two events was tracked on an individual-by-individual basis to ensure charges were correctly recorded as either operational or COVID-19 related.

Table 11

£000's	H1-2020	H2-2020	FY-2020	FY-2019
Cash-based costs - COVID-19				
Staff costs	343	979	**1,322**	–
Professional fees	102	102	**204**	–
Other costs	–	38	**38**	
Total, COVID-19	445	1,119	**1,564**	–
Cash-based costs – Wirecard				
Staff costs	–	11	**11**	–
Professional fees	–	12	**12**	–
Transaction charges	–	395	**395**	–
	–	418	**418**	–
Total Cash-based costs	445	1,537	**1,982**	
Provisions and write-offs - Wirecard				
Card stocks written off	530	122	**652**	–
Rebranding	–	–	**–**	2,724
Corporate reorganisation	–	–	**–**	579
Litigation and similar	–	–	**–**	120
	–	–	**–**	3,423
Total, separately reported items	975	1,659	**2,634**	3,423
Split between:				
COVID-19 costs	445	1,119	**1,564**	–
Wirecard	530	540	**1,070**	–
Other	–	–	**–**	3,423
	975	1,659	**2,634**	3,423

NOTE H – ACQUISITION COSTS

In October 2020, the Group acquired the trade and assets of Effective FX for £125k as an up-front payment and further performance related earn-outs over three years. Acquisition costs of £130k were incurred and charged to the P&L account.

NOTE J – IMPAIRMENT REVIEW

Despite the COVID-19 pandemic, no further impairment was judged in any of the Cash Generating Units.

NOTE K – DEPRECIATION AND AMORTISATION

Depreciation for the period was £0.5 million for tangible fixed assets (FY-2019: £0.4 million) and £0.9 million for "right-to-use" assets (2019: £0.9 million).

Amortisation of acquired intangibles was £1.2 million for the year (FY-2019: £0.9 million).

Amortisation of other assets, principally capitalised software, was £3.1 million (FY-2019: £1.8 million)

NOTE L – RECONCILIATION BETWEEN ADJUSTED EBITDA AND LOSS BEFORE TAXATION

Table 12

£000's	Adjusted EBITDA	Separately reported items Note G	Acquisition costs Note H	Share options	Result before tax
Revenue	28,960	–	–	–	28,960
Direct costs	(10,671)	–	–	–	(10,671)
Gross profits	18,289	–	–		18,289
Marketing	(1,206)	–	–		(1,206)
Contribution	17,083	–	–		17,083
Staff costs	(11,561)	(1,333)	(82)	(444)	(13,420)
Property	(993)	–	–	–	(993)
IT and Telephone	(1,299)	–	–	–	(1,299)
Professional fees	(1,428)	(216)	(48)		(1,692)
Travel and subsidence	(233)	–	–	–	(233)
Other expenditure	(405)	(1,085)	–		(1,490)
	1,164	(2,634)	(130)	(444)	(2,044)
FX differences					(199)
Depreciation					(1,427)
Contingent consideration					(637)
Amortisation					(4,347)
Interest					(392)
Loss before taxation					**(9,046)**

NOTE M – TAX

An accrual has been made for £1,367k of R&D credits. £2,535k of R&D accruals at 31 December 2019 were received in 2020. With £1,367k of R&D tax accruals for 2020, the "net" cost of the staff costs capitalised drops from £4,002k to £2,635k or 66% in the pound.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 13

£'000	2020	2019
R&D tax credits	1,371	3,514
Deferred tax credit/(charge)	738	(927)
Total tax credit	**2,109**	**2,587**

The Group has £16.9 million of tax losses available to be offset against future taxable profits.

Note N – Loss per share	Basic 2020	Diluted 2020	Basic 2019	Diluted 2019
Loss per share	(3.87)p	(3.87)p	(3.20)p	(3.12)p
Adjusted loss per share*	(2.33)p	(2.33)p	(86)p	(84)p

* *Adjusted EPS is before separately reported items and acquisition costs.*

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Part C Cash flow

The table below aggregates the movements across Bank and Liquidity providers:

Table 14

£000's	FY-2020	FY-2020	FY-2019	FY-2019	Movement
Adjusted EBITDA (table 4)		**1,164**		**5,576**	**(4,412)**
Less: IFRS 16 Leases impact	(1,063)		(1,152)		
Less: acquisition costs	(130)		(478)		
Less: separately reported items cash based	(1,982)		(3,423)		
		(3,175)		(5,053)	1,878
Less: Internally capitalised software	(4,465)		(8,307)		
Less: Purchase of other intangibles	(65)		(806)		
Less: Purchase of property, plant, equipment	(160)		(1,452)		
		(4,690)		(10,565)	5,875
Cashflows before working capital, acquisitions and external funding		(6,701)		(10,042)	3,341
(Less) / add: Working capital movement*		(1,485)		402	(1,887)
		(8,186)		(9,640)	1,454
Cash for acquisitions/ earn-outs		(825)		(3,325)	2,500
External funding					
R&D credits received during the year	2,539		1,068		
Cash raised from equity issues	–		15,749		
Cash raised from share options	–		130		
Draw-down of CBILs	2,000		–		
		4,539		16,947	(12,408)
NET CASH FLOWS		**(4,472)**		**3,982**	**(8,454)**
Balance at 1 January		13,299		9,317	3,982
Balance at 31 December		**8,827**		**13,299**	**(4,472)**
Comprising:					
Cash at bank	9,658		10,451		
Cash in hand in bureaux	22		462		
Regulatory deposits	352		352		
		10,032		11,265	(1,233)
Add: Balances with liquidity providers	5,695		3,717		
Less: Customer deposit margins and similar**	(4,900)		(1,683)		
		795		2,034	(1,239)
Less: CBILs		(2,000)		–	(2,000)
		8,827		**13,299**	**(4,472)**
Shares in issue		178,602,918		178,602,918	–
Amount per share		4.9 pence		7.4 pence	

* *Includes movements in balances with liquidity providers and customer deposit margins.*

** *Balances which fall outside the FCA safeguarding regime and hence are "on" balance sheet.*

Part D Balance sheet

The Group was able to avail itself of the Government's COVID-19 support package through the draw-down of £2 million through the Coronavirus Business Interruption Loan Scheme ("CBILs"). The loan carries no interest for the first 12 months and can be repaid at any time during this period. This loan provides a working capital buffer against any customer debt failure or to expand – principally by being able to offer more forward FX business at competitive rates.

Table 15

	At 31.12.2020		At 31.12.2019		
£000's	On Balance sheet	Off balance sheet** (memo only)	On Balance sheet	Off Balance sheet (memo only)	Movement
Gross Cash resources	**15,727**	**96,110**	**14,982**	52,441	
Less: Customer balances*	(4,900)	(96,110)	(1,683)	(52,441)	
Less: CBILs loan	(2,000)	–	–	–	
Cash per cashflow (table 14)	**8,827**	**–**	**13,299**	**–**	**(4,472)**
Other current assets and liabilities					
Card stock and other inventories	194	–	264	–	
Accrued income	419	–	1,726	–	
Trade debtors	2,443	–	1,450	–	
Other debtors	168	–	360	–	
Prepayments	860	–	1,466	–	
Accrued R&D credit	1,367	–	2,535	–	
	5,451		7,801	–	(2,350)
Retention and deferred consideration	(1,662)	–	(1,110)	–	
Accrued expenses	(2,271)	–	(1,786)	–	
Trade creditors	(2,510)	–	(2,495)	–	
PAYE and VAT	(766)	–	(624)	–	
Other creditors	–		(155)	–	
	(7,209)		**(6,170)**	**–**	**(1,039)**
Cash resources, less other current assets and liabilities	**7,069**	**–**	**14,930**	**–**	**(7,861)**
Fixed Assets (other than "right to use")	**36,496**	**–**	**35,297**	**–**	**1,199**
IFRS16 (Right to use assets less lease liabilities)	(346)	–	(294)	–	(52)
Derivative financial assets (net)	(30)	–	372	–	(402)
Deferred tax, (net)	(547)	–	(788)	–	241
Shareholders' funds	**42,642**		**49,517**	**–**	**(6,875)**

* *on-balance sheet balances are not required to be safeguarded.*
** *Off balance sheet items comprise balances held in client accounts.*

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Internally capitalised software

The Group continues its investment in product development and has capitalised a further £4.5 million (FY-2019: £8.3 million) of which £4.0 million (FY-2019: £7.8 million) was staff costs.

Off balance-sheet funds

The rapid expansion of the B2B side of the business has led to an 83% increase in funds either safeguarded or segregated by regulatory subsidies of the Group.

Other balance sheet items

The Group has accrued £1.25 million for R&D credits (FY-2019: £2.5 million). During 2020, the Group received the £2.5 million of R&D credits accrued in 2019.

Non-Controlling Interest

Of the £6.9 million loss for the period, £18k relates to the Non-Controlling Interest of the Equals Connect business acquired in 2019.

RICHARD COOPER
Chief Financial Officer,
7 April 2021

Compliance with Companies Act 2006, Section 172 Statement

Under Section 172 of the Companies Act 2006, a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company* for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the company.

*The Directors consider that references to the Company extend to both the Company and the Group.

The Group's stakeholders include, but are not limited to, its employees; suppliers; customers; regulators; and investors.

The Board endeavours to achieve and maintain a reputation for high standards of conduct amongst its stakeholders which it regards as crucial in its ability to successfully achieve its corporate objectives. During the development of the Group's strategies and decision making processes, the Board will consider its stakeholders and their interests. The differing interests of stakeholders require the Board to assess and manage the impact of its policies in a fair and balanced manner to the benefit of its stakeholders as a whole.

The Board considers below these different stakeholder groups, their material issues and how the Group engages with them.

EMPLOYEES

The employees are one of the greatest assets to the Group. Their interests, which include training and development; a safe environment to work; diversity and inclusion; fair pay and benefits; reward and recognition are a high priority. On a day-to-day basis, Directors engage directly with employees promoting an open, non-hierarchical culture, in which employees have an active contribution to the Group's success. Fortnightly "All Hands" meetings, Group updates and staff feedback questionnaires are performed, and the Board will actively reflect on these when making decisions. Regular management training, internship programmes, personal development and performance reviews all contribute to the development of staff.

SUPPLIERS

Supplier interests include fair trading, payment terms and working towards building a successful relationship. The Group will regularly review its supplier payments and performance alongside its monitoring of its performance. All suppliers, particularly low value suppliers are paid promptly on their invoices being validated by the approved personnel in the Group. The Group has processes in place in order to combat modern slavery in the business and its supply chains, and details of these can be found in the published Modern Slavery Statement at https://www.equalsPLC.com/content/investors/corporate-governance

CUSTOMERS

Customers are interested in successful product availability and usage; fair pricing and adherence to regulations. The Group wants to achieve the highest level of customer service and will regularly review feedback and reviews it receives from its customers. The Group operates under an open and transparent pricing model with its customers.

REGULATORS AND COMPLIANCE

The Group holds licences with the Financial Conduct Authority and HMRC and must adhere to the regulatory requirements of these licences. The Group ensures that staff have sufficient knowledge and regular training if necessary to ensure that these regulations are met.

All staff receive the relevant Anti-Bribery and Anti-Money Laundering training as the nature of the business may result in a higher risk of money laundering. Procedures and communications are in place to ensure that staff are able to comply with Anti-Money Laundering should there ever be a case.

COMPLIANCE WITH COMPANIES ACT 2006, SECTION 172 STATEMENT CONTINUED

INVESTORS

Investors expect to be informed of the financial performance and developments of the Group. This is done by holding regular trading updates; planned investor programmes; publication of the annual and interim reports and press releases. All shareholders are invited to attend the Annual General Meeting where they are able to raise questions to the Board. The Executive Directors will attend meetings with investors and analysts.

The Strategic Report on pages 6 to 25 was approved and authorised for issue by the Board on 7 April 2021, and was signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Governance

Report on Corporate Governance
for the year ended 31 December 2020

The Group is dedicated to maintaining a high level of corporate governance and the responsibilities of the Chair include leading the Board in an effective manner, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

The Board has adopted the Quoted Companies Alliance Corporate Governance (QCA Code) in line with the London Stock Exchange's AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code in all respects, and details of the Company's compliance can be found on the Company's website.

The Board understands that application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders. Equals continues to be committed to promoting a socially responsible corporate culture, illustrated through its internal values and policies, as well as external supplier and shareholder engagement.

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.

DIRECTORS

The Equals Board is presently made up of four Directors. The two Non-Executive Directors are deemed to be "independent".

Alan Hughes – Chairman and Independent Non-Executive Director
(date of appointment: 1 March 2020)
Committees: Chair of Nomination Committee, Interim Chair of Remuneration Committee, member of Audit Committee and Risk Committee

Alan had 35 years with HSBC, rising to its UK executive board as General Manager. One of his HSBC roles was CEO of FirstDirect Bank where he introduced its digital services, introduced significant product innovation, and quadrupled its size and returns. He was responsible for all HSBC UK's products, pricing and marketing. His non-executive roles have included Chairman of RateSetter, the Peer-to-Peer platform, and Non-Executive Director of NewDay Cards and of Capital One Bank. He is currently Chairman of Unity Trust Bank PLC and Senior Independent Director of Hitachi Capital (UK) PLC. He has an MBA from Henley and is a Fellow of the Chartered Institute of Bankers.

Ian Strafford-Taylor - Chief Executive Officer
(date of appointment: 4 March 2014)
Committee: Nomination Committee

A Founder and a Director of the Group since 2007. Ian has held a number of senior banking roles, including Business Unit Controller and Head of International Securities Lending at Morgan Stanley, where he worked from 1985 to 1992. Following this, Mr. Strafford-Taylor moved to UBS where he worked for 13 years as Managing Director and Global Head of Securities Borrowing & Lending, Fixed Income Repo and Prime Brokerage. Ian is a Chartered Accountant, qualifying with Arthur Andersen in 1985.

Richard Cooper – Chief Financial Officer
(date of appointment: 14 October 2019)

Richard has extensive public market and growth company experience. He was the CFO of GVC Holdings PLC (now Entain plc), one of the world's largest sports betting and gaming groups, from 2008 to 2017. Whilst at GVC, Richard played a key role in the implementation of the company's acquisition strategy during that period, together with its move from AIM to the premium segment of the London Stock Exchange's Main Market. Richard, a Chartered Accountant, is also the Chairman and Non-Executive Director of VR Education Holdings PLC, a technology focused education company admitted to AIM.

Sian Herbert – Independent Non-Executive Director
(date of appointment: 1 October 2020)
Committees: Chair of Audit Committee, Chair of Risk Committee and member of Remuneration and Nominations Committee

Sian Herbert has had an extensive City career spanning 35 years within audit, financial crime, risk and regulation, focusing on the financial services and technology sectors. She gained 25 years' experience at PricewaterhouseCoopers LLP ('PwC'), including fifteen years as a partner within the forensic services group, becoming an established expert in financial services, e-money and payment services, advising on financial crime, risk, regulatory change and the impact of technology.

REPORT ON CORPORATE GOVERNANCE CONTINUED

As well as being a member of the ICAEW, Sian is also a Member of the Hong Kong Society of Accountants. She is currently a Non-Executive Director of HBL Bank UK Limited.

EFFECTIVENESS

The Board has reviewed the independence of the Chairman and each of the Non-Executive Directors ("NEDs") and considers them to be independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. As at 31 December 2020 no NED holds any share options in the Company.

The Non-Executive Directors are each expected to dedicate approximately 18 days per annum and otherwise such time as required.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

The Group is committed to maintaining a healthy dialogue between the Board and all its shareholders to enable shareholders to come to informed decisions about the Company. The Chairman is generally available to shareholders, and the AGM presents shareholders with an additional opportunity to communicate with the Board. The AGM is attended by the Board and is open to all the Group's shareholders.

At the Annual General Meeting held on 30 June 2020, the proposed resolutions received the following proportion of votes:

	In Favour	Opposed	Withheld
Ordinary resolutions:			
Re-election of Robert Head	94.1%	5.80%	0.10%
Re-election of Richard Cooper	99.9%	0.00%	0.10%
Re-election of Alan Hughes	99.9%	0.00%	0.10%
Authority to allot shares	99.9%	0.10%	0.00%
Special resolution:			
Authority to allot shares	99.9%	0.10%	0.00%

The Company held a General Meeting held on 29 July 2020, with the proposed resolutions being passed:

	In Favour	Opposed	Withheld
Adoption of 2019 Annual Report and Consolidated Financial Statements	87.8%	8.2%	4.0%
Re-appointment of PricewaterhouseCoopers LLP as auditor to the Company	100.0%	0%	0%

The Board has established four committees: Audit, Risk, Remuneration and Nominations and formally delegated duties and responsibilities as described below. The attendance record of each relevant Director at Board and committee meetings during 2020 is as follows:

	Board 11 Meetings	Audit and Risk Committee 2 Meetings	Remuneration Committee 2 Meetings	Nomination Committee 2 Meetings
Alan Hughes	11	3	2	2
John Pearson	10	3	2	1
Ian Strafford-Taylor	11	N/A	N/A	2
Ajay Chowdhury	4	1	–	1
Robert Head	11	3	1	–
Richard Cooper	11	N/A	N/A	–
Sian Herbert	2	2	–	1

Anthony Quirke is the Company Secretary and is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. ONE Advisory Limited also provides additional Company Secretarial and Corporate Governance support, as well as assistance with Market Abuse Regulations ("MAR") compliance.

REPORT ON CORPORATE GOVERNANCE CONTINUED

CULTURE

The Board recognises the importance it has in setting the tone, culture and behaviour of the Group and promotes an open and respectful dialogue with employees, suppliers and other stakeholders. The importance of sound ethical values and behaviours is crucial to the ability to successfully achieve the corporate objectives, and the Board places great importance on this aspect of corporate life, seeking to ensure that this flows across the Group.

The Group's values: Make it happen; Succeed together; Be the customer; and Go beyond are at the forefront of promoting this culture and are in line with the business pillars and brand values to help guide the Group's behaviour. These values promote the healthy corporate ethos of effective communication and encourage an 'ideas culture'. The Group believes such values are important in creating a strong and consistent internal culture, as well as being essential to driving the overall success as a business. Staff are actively encouraged to provide feedback on many areas surrounding the business activities and initiative, and fortnightly Group-wide meetings are held to promote an open and honest dialogue across the Group.

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, ensuring that processes are put in place to manage risk inherent in the business, 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 is chaired by Sian Herbert and includes Non-Executive Director Alan Hughes. The Audit Committee meets at least 3 times a year, including at appropriate times in the reporting and audit cycle to consider audit matters and otherwise to focus on risk matters. The Audit Committee also meets regularly with the Group's external auditor.

The report of the Audit Committee is included on pages 41 to 43.

RISK COMMITTEE

The Risk Committee is responsible for maintaining the Group's risk register and evaluating the risks included in it. The Risk Committee is Chaired by Sian Herbert and meets not less than four times a year. The Chief Operations Officer, not a board member, is responsible for day-to-day risk management and compliance and is the prime contact for regulatory bodies that have supervisory roles for the Group. Other executives and staff are part of this Committee.

The report of the Risk Committee is included on pages 44 and 45.

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 currently comprises the two Non-Executive Directors and is chaired by Sian Herbert.

The Remuneration Committee report is included on pages 46 to 48.

NOMINATION COMMITTEE

The Nomination Committee is responsible for developing and maintaining an effective and rigorous procedure for making recommendations on the appointments and re-appointments to the Board. The Nomination Committee currently comprises the Non-Executive Directors and the Chief Executive, and is chaired by Alan Hughes.

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 takes 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 Report was approved and authorised for issue by the Board on 7 April 2021, and was signed on its behalf by:

ALAN HUGHES
Chair

ESG: CEO Letter

Dear Stakeholder,

I recognise the central role our colleagues play and the value of having a talented and motivated workforce to deliver our strategy: their professionalism and commitment to not only support and maintain our "be the customer" approach, one of our values, but to support one another through a very challenging year.

Responding to employee feedback and recognising contributions to making the Group a better business are, therefore, principal areas of focus for the Group. We engage with our employees through numerous channels, which has never been more important than in this past year, and, have ensured that regular contact is maintained throughout the pandemic. The founding of our "Inclusive Network" came in response to the drive by employees to further prioritise diversity and inclusion throughout the Group, and we are committed to fostering a supportive Group culture. We also implemented an awards programme for our Company Values, for individuals to be nominated monthly on the basis of their achievements against these values.

Customer engagement has always been a key part of our offering, as we know our customers still value being able to pick up the phone and talk to someone – and that is true now, more than ever. We are therefore committed to delivering the highest quality of support. We have multiple channels through which customers can contact us and we provide comprehensive training for our employees, enabling them to efficiently and effectively respond to any and all queries. Our high Trustpilot scores speak to the hard work and responsiveness of our customer services team, and we are proud to have such a high rate of satisfaction from customers.

Data security remains a key priority for our business and we make every effort to ensure our data and that of our customers' is kept safe and secure. We have robust governance structures and rigorous cybersecurity processes in place, provide annual training for employees on best practice in data security, and have ensured that while employees working remotely have been equipped with technology to keep customer data secure.

In 2020, efforts have been made across the business to make sure we are procuring sustainable products and services wherever possible, and we have initiatives underway to further reduce our impact, including addressing our energy sources and consumption.

Whilst we have included a s172 report in this annual report, it is apposite to cite the first three subsections:

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

(2) Where, or to the extent that the purposes of the company consist of, or include, purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.

(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

The Group wishes to go beyond these obligations and has embarked upon a journey to become a B-Corp certified business. Certified B Corporations demonstrate that they consider the social and environmental impact of their business in all their operations and meet certain performance and accountability standards. We are currently in the process of completing our B Impact Assessment and we look forward to updating our stakeholders on our progress in due course.

The full ESG report is included below on pages 31 to 40.

IAN STRAFFORD-TAYLOR

Chief Executive Officer

ESG: Vision and mission statements

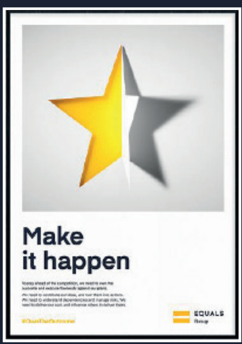
Values

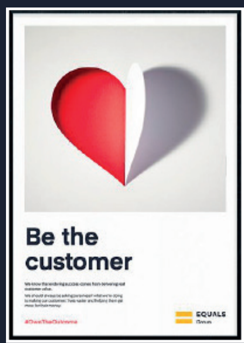
The culture of the Group is focused on how we interact with each other, our customers and other stakeholders critical to our success. Our culture helps us achieve our business objectives.

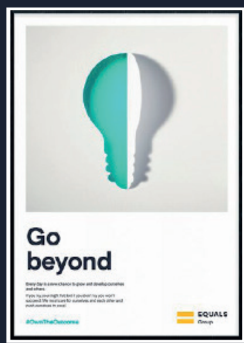
Our culture is defined by four carefully chosen values:

- Make it happen;
- Succeed together;
- Be the customer; and,
- Go beyond.

These values guide our day-to-day behaviour and drive our decision-making at all levels. The values are easy to understand – and yet fundamentally important. They express our shared beliefs to form the basis for a high-performing culture that can help maximize the full potential of Equals.







Make it happen
Do the right things, do them right and own the outcome

Succeed together
We are one team and with common goals. When we work together we can achieve more

Be the customer
We walk in our customers' shoes and we always strive to make our customers' lives simpler

Go beyond
If we all went that extra mile, just think how far we could go

All our values are underpinned by the hashtag - #Own-the-Outcome - this to encourage all staff to take responsibility to follow through on the values.

We know that our corporate success is predicated upon the successful engagement with and growth of our talented workforce to ensure they are prepared to support and delight our customers. Through careful investment in our people and infrastructure, we are building a trusted technology-led financial services business.

ESG: Material issues

	Area of focus	Relevance	Activities during the year
Sustainable practices	Carbon emissions	All companies must consider their GHG emissions and, even as an office-based operation, the Group is working to reduce its carbon emissions.	• Using an environmental waste management service • Reduced the office size • Incentivising employee use of green modes of transport – Company vehicles can only be electric or hybrid • Switching to renewable energy providers
	Responsible procurement	The Group is committed to minimising its environmental impact by ensuring it procures sustainably and reduces unnecessary waste. It also seeks to ensure fair payment terms with all suppliers.	• Targeting 'paper-free' offices by 2023 • Review of procurement due diligence processes, including gathering of relevant ESG materials from suppliers
Our people	Nurturing our talent	Our people are integral to the Group's operations and we want to ensure they feel motivated in their work and are able to develop their skills.	• Enhanced training and development programmes
	Employee engagement, diversity and inclusion	In order to have an engaged workforce that knows their interests are recognised, it is important that we promote a supportive and inclusive working environment and Group culture.	• Established "Inclusive Network" • "Own The Outcome" Awards • Employee engagement survey • Project21 - Socio-economic initiative to give school children in Stratford work experience in FinTech
Our customers	Protecting our customers	The Group holds licenses with the Financial Conduct Authority and HMRC and must adhere to the regulatory requirements of these.	• Anti-Bribery and Anti-Money Laundering training • Treating our customers fairly policy • Vulnerable Customers Policy
	Transparent practices	We must ensure that we are transparent and fair in the delivery of our services and the disclosure of our fees.	• Open and transparent pricing model
Data security	Privacy and data security	As a consumer finance company, data security is a key priority for the Group as we must protect our customers' data and minimise the risk of data breaches.	• Rigorous oversight of data security • Regular IT infrastructure penetration tests • Third party data security compliance testing • Cybersecurity training • Weekly IT security meetings
Governance	Governance	Our shareholders must see evidence of our strong ESG risk management and governance oversight.	• Adoption of and compliance with the Quoted Companies Alliance Corporate Governance Code
	Business ethics	Across the Group, employees and management must demonstrate ethical behaviour in all operations.	• Ongoing training to raise awareness and understanding of Employee Handbook and Code of Conduct, and of amendments as appropriate
	Risk management	To combat any significant disruptions, the Group must have robust systems in place to ensure continued business operation and efficiency, as well as strict regulatory compliance.	• 6 Risk and Audit Committee meetings during the year • Business Continuity & Disaster Recovery Procedure
Economic	Disciplined business strategy	Equals leadership team are responsible for the allocation of capital across the business to support its strategic ambitions and return value to all stakeholders	• Board and frequent ExCo meetings • investment into business segments

ESG: Stakeholder Engagement

In accordance with Section 172 of the Companies Act 2006, (see pages 24 to 25), the Group has disclosed how it operates to promote the interests of its stakeholder groups, including Employees, Customers, Suppliers, Regulators, and Shareholders. By engaging with these groups, Equals is not only accountable to its stakeholders, but also gains a wide range of perspectives on the direction of the business that can help drive progress. The Board considers all matters raised by stakeholders in a fair and balanced manner that ensures benefit is seen for all and the business is positively impacted.

	Why we engage	Material issues	How we engage
Employees	Our employees are integral to the business. We endeavour to attract and retain talented individuals and create an environment in which people feel motivated and engaged, supported and rewarded.	Nurturing our talent Employee engagement, diversity and inclusion	We maintain a non-hierarchical culture, in which all employees can contribute to the Group's success. We directly engage with employees through Weekly "All Hands" meetings, Group updates and staff feedback questionnaires. Management training and performance reviews also provide opportunities to check in with staff and track their development.
Customers	At Equals we want to deliver the highest quality service to our customers. We engage with our customers regularly by eliciting feedback and reviews to ensure that customers are satisfied with the service and to enable us to implement any improvements.	Privacy and data security Selling practices and product labelling Risk management	We issue customer surveys and gather net promoter score data. Customers are also able to provide feedback and leave reviews on our Trustpilot page and engage with us through our social media channels, Facebook and Twitter.
Suppliers	We advocate productive and open relationships with our suppliers, in order to ensure the continued efficiency of our business.	Responsible procurement Business ethics Governance	For new suppliers, we engage in a range of checks, from data protection to in-depth assessment, and share our expectations for supply chain compliance. We monitor performance on an ongoing basis and regularly review supplier payments.
Regulators	It is important that we maintain open and transparent communications with regulators, as the Group must adhere to regulatory requirements of the Financial Conduct Authority and HMRC	Risk management Governance Business ethics	Regulatory compliance team External Compliance advisors Terms of Reference for all committees Strong Governance structure Annual audits
Shareholders	We recognise our responsibility to keep our shareholders informed of the Group's performance. We therefore engage regularly and openly with our shareholders, enabling them to fulfil their role as stewards and to monitor the direction of the business.	Governance Business ethics Risk management Disciplined business Strategy	We keep our shareholders informed through holding regular trading updates; planned investor programmes; publication of the annual and interim reports and press releases. Shareholders can raise questions at the Annual General Meeting and in meetings with the Executive Directors.

ESG: Our People

'Succeed together': at Equals we recognise the central role of people to our business. We are committed to maintaining a diverse and engaged workforce and promoting the training and development of our employees.

EMPLOYEE ENGAGEMENT

Our Company Values set out the way that we wish to conduct business and engage with our stakeholders. During the year, we engaged with the business to review, refresh and roll out these values to ensure they are fit for purpose and truly reflect our principles. By providing a clear point of reference, our values shape our interactions, and we are encouraged by the way that they are being embedded throughout the organisation.

We have been impressed by how our employees have accordingly adopted the values and in recognition of this we established an awards programme – the Own the Outcome Awards ("OTO") – which are held monthly. Individuals are nominated on the basis of their achievements against a particular value.

We aim to foster a supportive working environment in which our employees feel engaged, motivated and valued for their contributions. We shall be conducting an annual employee engagement survey to provide the opportunity for our staff to give feedback or voice concerns.

In 2021 we have established an employee forum – acting as a sounding board for the Executive Committee and the people teams to focus on employee related matters, corporate social responsibility and ESG.

DIVERSITY AND INCLUSION

"Creating a place that inspires diversity of thought, innovation and an inclusive sense of belonging" – Inclusive Network objective

At Equals we endeavour to maintain a diverse and inclusive workforce. We are committed to being an equal opportunity employer; we do neither discriminate on the basis of gender identity, race, ethnicity, disability, nor other demographic factors and we ensure our facilities are accessible for individuals with physical disabilities. Our Executive Committee is responsible for diversity, equity and inclusion across the Group, and we have programmes in place to provide training and support for individuals from underrepresented groups.

In response to the internal drive by employees in promoting this matter, the Company founded an Inclusive Network. This forum, whose members encapsulate all locations and teams, meets regularly to discuss measures to improve performance on the nominated topics of mental health, diversity of culture, and gender. To further embed this culture of inclusivity, in 2020 Equals endorsed the introduction of diversity and inclusion training for managers.

TRAINING AND DEVELOPMENT

To improve the ease of our onboarding process, new employees can onboard themselves through our online portal, Bamboo. New employees receive on the job training, and we offer ongoing training to employees for core job responsibilities. We support the progression and development of our employees: we have a policy to encourage internal promotions, we facilitate external professional training opportunities, and we subsidise educational opportunities for employees. We are continuing to develop our management training programme, and we currently provide ongoing feedback and performance evaluation.

HEALTH, SAFETY AND WELLBEING

We promote the health and wellbeing of our staff through a number of initiatives. Both full-time and part-time employees are eligible for the life insurance and private supplemental health insurance that the Company offers. Employees also have access to an Employee Assistance Programme and counselling service, and we advocate and offer incentives for employee participation in wellness programmes. We offer a Cycle to Work scheme which, while also reducing the carbon emissions from travel, promotes the health and wellbeing of our staff. Our Health & Safety Policy sets out our commitment and the objectives we aspire to in managing health and safety and we expect all employees to act in accordance with its guidelines.

GIVING BACK

In considering our societal impact, we want to give our employees the opportunity to get involved. We support employees in their endeavours, matching individual people's charitable donations and allowing the workforce to select charities that will receive the Company's donations. Our Corporate Social Responsibility (CSR) programme was launched in 2020 and gave young people from underprivileged backgrounds the opportunity to gain work experience within different parts of the business. In 2021, Equals will formalise this programme through the verification of its inaugural CSR policy, enabling employees to volunteer within working hours and offer their time and expertise for the benefit of local voluntary and community groups.

ESG: OUR PEOPLE CONTINUED

COVID-19 RESPONSE

In line with government guidance, we moved the majority of our staff to remote working in March 2020. Supported by our Business Continuity & Disaster Recovery Procedure and the prior work of our digital services team in setting up virtual environments, the change was efficient and smooth for our employees. We want our employees to feel comfortable and safe and therefore have continued to encourage flexible working so that staff who would prefer to work from home feel supported in doing so. To safeguard the wellbeing of our staff we have stayed in regular contact via email, managers have made themselves available to their teams on Zoom, and we facilitated 1-to-1s with individuals who needed support.

As employees were able to begin coming back into the office, we implemented extensive health and safety procedures to ensure the safety of our staff. We have a risk assessment in place that is reviewed every two weeks. Throughout the office we have floor markings and signs to reinforce social distancing practices, and we have provided tissues, hand sanitiser and PPE. Staff must wear masks when they leave their workstations, doors are kept open, and our cleaning staff maintain a strict routine to ensure the office remains a safe environment for our essential employees to operate in.

As a result of the pandemic, the management team had to make a number of difficult decisions over the course of the year, and this included reducing our headcount in response to immediate challenges faced by the business. Equals remains very mindful of the contributions of our employees and is incredibly grateful for employees' response during this time and their ability to adapt to the changing circumstances. Our focus continues to be on supporting our employees and providing them with the necessary tools and training to meet the evolving requirements of their everyday roles.

Metric	2020	2019
Employees by employment type		
- Number of full-time employees	268	320
- Number of part-time employees	9	10
- Number of temporary employees	8	6
Diversity and inclusion		
- Number of women at board level	1	0
- Number of women in workforce	78	94
- Percentage of women in workforce	29%	29%
- Number of people of ethnic minority at board level	0	1
- Number of people of ethnic minority in workforce	13 declared (not compulsory to complete)	unknown
Employee engagement (%)	65-80	unknown
Employees internally promoted (%)	11.5%	4.3%
Retention rate (%)	82	unavailable
Employees paid a national living wage (%)	100	100

ESG: Our Customers

'Be the customer': this company value encapsulates the Group's approach, as we want our customers to feel valued and supported every time they contact us. Our focus is on delivering the highest quality service and encouraging innovative thinking in order to resolve any issues that arise.

COMMUNICATION AND INNOVATION

To ensure effective, responsive communication with our customers, we maintain three key channels for receiving queries: phone calls, email and live chat. We have a target in place to ensure that customers wait no more than 30 seconds before their call is answered and email queries will be responded to within the working day. We continue to improve the effectiveness of our processes, including the installation of a new phone system which enables the team to take their phone calls at home and to tag each call with the appropriate query type to support tracking of issues. We have also fully integrated live chat into our approach, as it enables faster response times from the team.

RESPONDING TO FEEDBACK

In addition to our three key channels, we also receive feedback through our Trust Pilot and app review pages, and we reach out to all customers who express dissatisfaction to see if we can improve their experience. Messages to our social media pages – Twitter and Facebook – are filtered into our ticketing system, so that the team can stay on top of all feedback provided.

Moreover, we elicit feedback from our customers directly, issuing surveys and gathering NPS data following interactions with the team to gauge their satisfaction with the service. Some of our outreach programmes were postponed during 2020 as we adjusted to our new operating size and environments, but we have/intend to reinstate them for 2021. We are very proud of our high customer satisfaction scores, with the vast majority of customers reporting a positive experience with our Customer Service team. Both FairFX and Equals Connect are also rated as 'Excellent' on Trustpilot.

IMPROVING OUR SERVICE

As well as maintaining high responsiveness, we are committed to implementing improvements as a result of feedback. We categorise all the queries we receive, so that we can track issues as they arise, and thereby identify any topics that are repeatedly mentioned. In such instances, we consider whether a fix can be implemented to improve customer service. We work closely with our Product Engineers and Design Team, and any matters that fall within their remit are forwarded to them for their consideration.

TRAINING AND DEVELOPMENT

Cultivating an experienced and informed team in Customer Services is key to the seamless operation of our business. We provide extensive training for our employees, covering all subjects from completing a change of address, to detecting fraudulent activity. As part of the on-boarding process for new employees we have a one-day to one-year tracker through which we log all the new procedures they have learnt in order to track their development. If a change is implemented in an existing process, training policies are immediately updated, and guides for all processes are available on the Group portal. If there are any difficulties, we provide repeat training sessions to ensure that our staff feel confident in their work. Due to the rigorous training and deep understanding that the Customer Services team must develop, the staff have a strong foundation in understanding the operation of Equals, enabling upward mobility in the business.

SAFEGUARDING OUR CUSTOMERS

To safeguard our customers against unfair treatment, we are committed to being transparent about our services. Details of our fees our available on our website and included in our FAQs. Furthermore, our Customer Services team are trained on fraud detection and compliance with Anti-Money Laundering (AML). In addition to an annual AML test, we endeavour to update the team on risk every six months. Controls are in place in the system to recognise and flag unusual activity, including customers who are potentially being scammed. A member of the team will contact the customer to query the activity, and raise anything suspicious with the Compliance team, who will then consider further action as necessary.

ESG: OUR CUSTOMERS CONTINUED

Case study

In 2020, due to the cessation of Wirecard, we moved our pre-paid customers to a new card. This was a huge undertaking, as we were reaching out to customers who had joined us as far back as 2007. We had over 150 colleagues across all areas of the business helping to triage the customer base that needed immediate help. Our Customer Services team worked hard to respond to all queries and keep our customers informed of the changes. Live chat was prioritised above phone calls, allowing staff to increase the number of customers they could respond to on a daily basis. While this change was challenging, we were able to deliver an upgrade for our customers, moving to a card with expanded and improved features. To ease the transition, we designed a simple process whereby customers could approve the switch through clicking a button on an email, and we followed up with reminder emails. Despite the decrease in travel in 2020, the uptake of the new card was very successful, and we will continue to support former customers should they want to reactivate their accounts in the future.

Metric	2020
Satisfaction Survey	
- My issue has been fully resolved (%)	90
- Based on this support experience I would recommend this product to a friend (%)	88
- The agent was knowledgeable and helpful (%)	91
- Overall how satisfied were you with the support provided by our Customer Service Team (%)	86 – Extremely Satisfied or Mostly Satisfied
Trust Pilot Scores	
- FairFX	4.6 – 'Excellent'
- Equals Connect	4.9 – 'Excellent'
Training	
- Number of hours of customer services training available	25+ hours
Calls	
- Calls answered within 30 second target (%)	80

ESG: Data Security

'Make it happen': At Equals, data security is a top priority. Our exemplary cybersecurity record has not been achieved by chance but by design, as we strive to maintain the highest standards in cybersecurity and data privacy throughout the Group, with robust governance structures and policies in place.

OVERSIGHT OF IT AND DATA SECURITY

There are three key committees that oversee the effective governance of data security across the Group; Security Council, Architecture Council, and Technical Risk Committee. These committees oversee, among other matters, the security, design and risk associated with our systems, and are all accountable to the Group Board.

Security Council

Chair: Chief Product Officer

Purpose:

- Evaluate security threats to the group,
- sign off new technical decisions or system changes,
- sign off new third party integrations,
- ensure compliance with relevant regulations,
- maintain certifications as required (such as PCI),
- organise and evaluate penetration testing,
- maintain DR & BCP plans,
- write appropriate group policy on security

Architecture Council

Chair: Head of Architecture

Purpose:

- To review architectural Sign Off requests
- To discuss new architectural changes
- To review practices and standards
- To create architectural control for auditing purposes

Technical Risk Committee

Chair: Head of Infrastructure

Purpose:

- To maintain a technical risk register
- To feed risks up to the Group Risk Committee
- To risk assess and discuss the outcome for changes to the status quo

Equals has a comprehensive series of IT and data security policies and procedures in place to ensure that we operate securely and safeguard our customers' data.

- Cloud Storage Usage Policy
- Computer Usage Policy
- Data Classification Policy
- Data Protection Impact Assessment Procedure
- Data Protection Policy
- Data Retention Policy
- Instant Messaging Policy
- Password Policy
- Business Continuity & Disaster Recovery Procedure

While we currently store some data in on-site servers, we are moving towards having all data stored by external data centres.

SUPPLY CHAIN COMPLIANCE

We engage with third parties for a number of operations. Whenever we engage a new supplier, we run data protection checks, and if the supplier is providing a core service, we conduct an in-depth assessment and the organisation is incorporated into our Business Continuity & Disaster Recovery Procedure, for which the Security Council has sign off.

CYBERSECURITY

To minimise risk in relation to cyber-attacks, we have a number of procedures in place, including two-factor authentication which is mandatory across the business. Employees must complete cybersecurity training annually, and in 2020 this training focussed heavily upon the risks around working from home.

All our systems undergo a penetration test at least once a year and we conduct targeted penetration tests for new systems and following major changes. We also carry out vulnerability scanning every month.

ESG: DATA SECURITY CONTINUED

WORKING FROM HOME AND IMPROVING TECHNOLOGY

As a result of our Business Continuity & Disaster Recovery Procedure, we were able to facilitate a smooth transition to working from home for our employees. We had previously set up virtual environments and secure working systems for remote working, and our 'cloud first' approach makes data security easier. Prior to the pandemic, we introduced a new cloud-based phone system that could be run from any location.

The new phone system contained expanded features including improved topic tracking and more efficient call transferring capabilities. Our ticketing system also facilitates smooth communications for the customer services team.

Metric	2020	2019
Number of data breaches	0	0
Employees completed cybersecurity training (%)	90%	90%

ESG: Sustainable Practices

'Go beyond': While we recognise that as an office-based Group our environmental impact is minimal, we endeavour to embed sustainable practices throughout our business and engage in responsible procurement.

In our Chester offices, we have a number of sustainable objectives. Foremost, we will be transferring to a 'green contract', which will not only guarantee 100% of our energy used comes from renewable sources but will also represent a cost-saving for the Group. At these offices we employ an environmental waste service that separates all recycling and burns waste to feed energy back into the National Grid.

We are also launching a Group-wide initiative to become a paper-free Group. Our finance department is working to minimise paper statements and have invoices sent electronically, our development team is exploring moving our customers completely online in their interactions with Equals, and all departments are considering ways in which they can reduce their paper usage. To ensure responsible procurement and supply chain management our Compliance department is developing a due diligence questionnaire for new suppliers that will include a section relating to environmental impact and green accreditations.

To reduce waste as well as supporting the local communities in which we are based, the Group donates all unused or retired devices to a local organisation to be cleaned or refurbished and then given to local schools and underprivileged families. As well as incentivising environmentally friendly travel to work through our Cycle to Work scheme, our offices have bike storage and electric vehicle charging points, and we our encouraging remote working where possible.

In London, we have reduced the size of our office space, supporting employees to work remotely whilst also minimising the impact of operations. The building is managed by CBRE – please visit their website for more information on their management of properties: https://www.cbre.co.uk/.

Metric	2020	2019
Chester office		
Energy use		
- Total energy use from 01.01.2020 – 31/12/2020 (KwH)	75,100	n/a
Paper use		
- Number of sheets of headed paper ordered	20,000	40,000
- Number of sheets of copier paper ordered	25,000	152,500
London office		
Paper use		
- Number of sheets of paper ordered	3,000	45,000

GOVERNANCE

ESG Risk Management is integrated into the way Equals operates. In 2020 the CFO established a Project Committee to address our ESG strategy and reporting. Both the Audit and Risk Committees put a great deal of focus on cyber-security and the Security Council, Architecture Council, and Technical and Risk Committee all ensure effective management of data security. Each operating subsidiary holds quarterly board meetings on which the standing agenda items include:

- Commercial matters
- Financial performance
- Risk evaluation
- Compliance issues and developments
- People issues
- Customer interaction and complaints

We continue to strengthen our ESG management systems where we feel improvements can be implemented. The Group is in the process of formalising its Inclusive Network and CSR Programme to ascertain full compliance and disclosure, and the incoming Head of Risk & Compliance will have a remit that includes ensuring ESG considerations flow across all areas of the business. We are developing a Risk Appetite Statement which will outline our approach to risk including geographic locations and industry types that we would exclude on the basis of high-risk exposure.

Equals expects all its employees to act in accordance with the highest standards in business ethics. Our Employee Handbook sets out the Group's key procedures, rules and policies, including ethical conduct, compliance, anti-bribery, whistleblowing, insider information, data protection and health and safety. New joiners are introduced to our Code of Ethics immediately upon arrival, and employees and managers are given ongoing instruction on compliance with the Code. Any amendments that are made are communicated in a timely manner.

There were no reported incidents in respect of any company policies during 2020.

Report of the Audit Committee

for the year ended 31 December 2020

The Company's Audit Committee has responsibility for all subsidiaries in the Group.

In the period since the last report, the Committee focused on the effectiveness of the controls across the Group, especially as the Group expanded with the acquisitions listed in the Report of the Chairman. Integrity of reporting and risk monitoring is a key area that the Committee will continue to focus on over the coming year. Monitoring of the operational performance of the Group is an area of ongoing review. The focus is on several key areas; with the General Data Protection Regulation coming into effect and various recent scandals, increased focus on data governance within the Group is planned.

The Audit Committee appointed various third parties to give independent opinions on chosen topics that are regarded as potentially higher risk (for example, cyber security, money laundering). The Group has well-resourced compliance and risk operations but given its size does not have an internal audit function.

COMMITTEE COMPOSITION

The Audit Committee is chaired by Sian Herbert and includes Non-Executive Director Alan Hughes. Other meeting attendees during the year included previous Non-Executive Directors, members of the external audit team, Ian Strafford-Taylor, CEO; Richard Cooper, CFO; and other members of the finance team. The Committee has given the opportunity for the various attendees to have closed meetings without the other attendees to debate any issues that may arise.

ROLES AND RESPONSIBILITIES

The Committee is appointed by the Board; their primary duties are listed beneath the subheadings below, along with a brief description of sub-tasks:

1. Financial reporting
    a. consider the areas of risk and what is done to optimise these risks and ensure that these are communicated to the external auditor;
    b. review significant financial reporting judgements and the application of accounting policies, including compliance with the accounting standards;
    c. ensure the integrity of the financial statements and their compliance with UK company law and accounting regulations;
    d. ensure the Annual Report and financial statements are fair, balanced and understandable, and recommend their approval to the Board;
    e. monitor the integrity of announcements containing financial information.

2. Internal controls
    a. monitor adequacy and effectiveness of the internal financial controls and processes, and ensuring any shortcomings are rectified at the earliest opportunity;
    b. where appropriate, ensure compliance with the Quoted Companies Alliance Corporate Governance (QCA Code).

3. Risk management
    a. review and provide oversight of the processes by which risks are managed and optimised by the Risk Committee

4. External audit
    a. manage the relationship with the Group's external auditor;
    b. monitor and review the independence and performance of the external auditor and formally evaluate their effectiveness;
    c. review the policy on non-audit services carried out by the external auditor, taking account of relevant ethical guidance;
    d. negotiate and approve the external auditor's fee, the scope of the audit and the terms of their engagement;
    e. make recommendations to the Board for the appointment or reappointment of the external auditor.

COMMITTEE ACTIVITIES DURING THE YEAR

Financial statements and business reports

- Reviewed the 2019 Annual Report and Consolidated Financial Statements, and recommended that both be approved by the Board;
- Reviewed the projected cash flow forecasts and sensitivity analyses as prepared by the Chief Financial Officer; as a result, the Committee concluded the business should be considered a going concern, and the financial statements should be prepared as such.

EXTERNAL AUDIT

- Debated and agreed the external audit strategy;
- Noted the adjusted and non-adjusted differences and debated the highlights memo previously circulated to Committee members;
- Acknowledged that the prepared financial statements represented a true and fair view of the Group's affairs, were in accordance with IFRS issued by the International

Accounting Standards Board (IASB) and as adopted by the European Union and had been prepared in accordance with the Companies Act 2006. Their enquiries covered regular management and KPI reporting, analytical review and sign off on key control accounts;

- Reviewed progress in dealing with control issues raised by the external auditors in their management letter;
- Reviewed and approved the Letter of Representation sent by the Company to the external auditors.

OTHER

- Compliance with laws and regulations including money laundering.

GOVERNANCE

The Committee meets at least three times per year and routinely meets with the external auditor without the Executive Directors present. It is chaired by Sian Herbert, an independent Non-Executive Director, who is a chartered accountant with recent and relevant financial experience. The Chair has frequent meetings with the external auditors to ensure issues are being considered on a timely basis. The Chief Financial Officer and other members of the finance team work closely with the Committee Chair to facilitate open communication and regular information flow. The Committee members bring a wealth of professional and practical knowledge and experience which is relevant to the Company's industry.

Such abilities ensure that the Committee functions with competence and credibility. The Committee receives regular updates on changes to financial accounting standards and reporting requirements, regulatory and governance changes and developments around risk management, fraud prevention and detection, and cyber security.

In its advisory capacity, the Committee confirmed to the Board, that based on its review of the Annual Report and financial statements and internal controls that support the disclosures, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Company's position and performance, its business model and strategy.

ENGAGEMENT OF THE EXTERNAL AUDITOR AND TENURE

An audit tender process was run in 2019 resulting in PricewaterhouseCoopers LLP being appointed as external auditor. As a matter of course, PwC are not awarded any non-audit work; please refer to note 5 of the financial statements for more details regarding the breakdown of payments to the Group auditor.

AUDITOR INDEPENDENCE

At each meeting, the Committee receives a summary of all fees, audit and non-audit, payable to the external auditor. A summary of fees paid to the external auditor is set out in note 5 to the financial statements. The external auditor confirmed its independence as auditor of the Group through written confirmation to the Group.

EXTERNAL AUDIT EFFECTIVENESS

The effectiveness of the external audit process is assessed by the Committee, which meets regularly throughout the year with the audit partner and senior audit managers. The Committee believes that sufficient and appropriate information is obtained to form an overall judgement of the effectiveness of the external audit process. The external audit effectiveness process findings from last year's review were also incorporated into the audit processes this year. One matter that the Committee keeps under review is the mix of substantive and control testing by the auditors. The most cost-effective audit is currently a substantive audit. The Committee keeps this under review as its preference from a control perspective is that the external audit should use control testing to get a better view of the control environment.

RISK MANAGEMENT AND INTERNAL CONTROLS

Further details of risk management and internal controls are set out under note 21.2 of the consolidated financial statements. The Committee is dedicated to the thorough monitoring of the effectiveness of its internal controls and risk management; they maintain a good understanding of business performance, key areas of judgement and decision-making processes within the Group.

REPORT OF THE AUDIT COMMITTEE CONTINUED

CONFLICTS OF INTEREST

An annual review is undertaken, facilitated by the Company Secretary, to identify any conflicts of interest that may impact upon Board members' independence. All identified conflicts recorded on a register that is adopted by the Board. Conflicted Directors are not able to attend meetings where the conflicted matter is discussed, and decisions are made. It has been determined that none of the Directors had or have an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

SIGNIFICANT ISSUES

Significant issues and accounting judgements (refer to note 3.26) are identified by the Committee, the finance team, or through the external audit process and are reviewed by the Audit Committee.

POST YEAR END ACTIVITIES

The Audit Committee has continued the above activities in 2021. The most material issues have been:

- The 2020 Annual Report and Consolidated Financial Statements, and the Committee has recommended that both be approved by the Board;
- A review of the Cash Flow forecasts statement as overseen by the Chief Financial Officer.

SIAN HERBERT
Chair of the Audit Committee

7 April 2021

Report of the Risk Committee
for the year ended 31 December 2020

From January 2021, the Board of the Company established a Risk Committee separate from the Audit Committee, but chaired by the Chair of the Audit Committee and which reports to the Board. It also comprises of at least one other Non-Executive Board member. The meetings are attended by both the CEO and CFO. An executive below Board level, the COO, who is internally responsible for risk and compliance also attends. Subsidiary undertakings hold Board meetings not less than every quarter and risk is a standard item on their agenda. Minutes of subsidiary meetings are included in the Board packs of Equals Group plc.

The Risk Committee, along with the Executive Directors, is responsible for the identification, assessment, management and monitoring of all risks of the Group. A risk register is maintained which scorecards those risks identified and the appropriate policies and procedures to mitigate those risks. Below is a summary of the risks which the Committee believe are highly rated and the controls put in place to mitigate them.

Risk	Description of Risk	Control
Data integrity and security	• Losses from a cyber-attack or other associated malicious events • Loss of revenue • Reputational risk	• Appointed a Chief Information Officer with responsibility for data security and data governance • Setup a Security Council with Group wide participants to monitor all aspects of security in the Group • Regular penetration testing, training and awareness, system access controls and encryption, physical security
Business Continuity/ Disaster Recovery	Business disruption and potential business failure	• Detailed Business Continuity Plan and Disaster Recovery Plan tailored to each entity • Regular testing • Increased adoption of cloud-based services (AWS)
Fraud	Financial loss, reputational risk, potential to lose customers and reduce growth, supplier chain risk	• Senior management awareness • Staff training • Fraud reporting to Risk Committee • Automated transaction monitoring • Appropriate people in fraud roles to oversee and manage risk
Banking arrangements and relationships	• Loss in one or more banking partners could result in disruption and eventual business failure • Loss of Agency Banking services	• From February 2019, the Group became a direct member of Faster Payments and have banking arrangements with the Bank of England which mitigates the risk of losing agency banking services • Group partnered with Citi Commercial Bank in July 2019 and entered 5 year agreement with Mastercard in September 2019
The Group faces significant competition	A reduction to competitive advantage resulting in slower business growth and ultimately financial loss	• Engineering development to maintain research & development and innovation • New products • Improved CX to enhance usability of products - IT development to maintain research & development and innovation • Maintain relationship and traffic from key price comparison sites • Quality of people in business • Maintain the Group's reputation • Investment in marketing and product development • Increased investment in IT development • Increased sales development • Review of costs to ensure cost efficiency

REPORT OF THE RISK COMMITTEE CONTINUED

Risk	Description of Risk	Control
Operational liquidity	• Ability to settle trades in the correct currencies as they fall due • Incorrect hedging resulting in cashflow needlessly being tied up in foreign currency or overdrawn accounts	• Operational monitoring through controls in trading platforms and strict hedging policies and controls • Automated hedging platform augmented by human oversight • FIX engine links to liquidity providers • Daily reconciliations of FX positions
Failure of key suppliers impacts performance	Loss of productivity, potential to lose customers and reduce growth.	Carry out regular review of supplier performance and seek alternatives where necessary
Macro environment including impact of Brexit	Loss of revenue, operational resilience	Monitor key performance indicators, increased controls on expenditure and large single expenditure commitments
IT platform re-build	Out of date technology which results in development delays	Re-platform tech stacks in more modern computer language and move away from on-premises solution to cloud
Liquidity	Unable to meet liabilities as they fall due	• Weekly reporting of prior week cash movements • Regular cashflow forecasts run with sensitivities • Longer term budgets and forecasts
Regulatory compliance	• Emerging regulations and adherence to existing regulations • Non-compliance: fines; sanctions; prison and reputational risk	• Review and update Group policies and procedures. • Review of new statutes and financial regulation. • Annual regulatory audits by expert third parties. • Annual staff training.
Governance	• Lack of Board oversight leading to failure to fulfil legal and regulatory responsibilities	• Regular Board and Committee meetings

BREXIT

Brexit results in both an opportunity and a threat. An opportunity to provide greater FX solutions to customers, but a threat due to possible reduction in international trade. The Risk Committee regularly reviews the impact of Brexit.

COVID-19

The pandemic posed an existential risk to the business through customer inactivity and staff sickness. Mercifully, the incidence of sickness was very low. Staff were able to self-isolate and continue to work from home as to mitigate the disruption risk the Group had well prepared plans to cope with this eventuality. In terms of the economic shock to the business, the Group took the following actions:

- Immediately identified the business areas vulnerable (mainly retail travel products);
- Placed affected staff on Furlough via the Governments scheme;
- Prepared a submission for the CBILs loan scheme;
- Rolled-out a restructuring plan prepared by the CEO and CFO; and
- Identified customers who might be at risk of default and contacted them immediately. No material default occurred due to COVID-19.

The Group continues to evaluate the threats from the ongoing pandemic.

SIAN HERBERT
Chair of the Risk Committee

7 April 2021

Directors' remuneration report
for the year ended 31 December 2020

The Remuneration Committee presents its report on Directors' remuneration for the year ended 31 December 2020. The disclosures comply with the requirements of the Companies Act 2006, the Group's adopted Corporate Governance Code - the Quoted Companies Alliance Code - and applicable AIM Rules.

Membership of the Committee during the year comprised:
Robert Head, Chair from 1st January to 30th June (resigned 1 October 2020)
John Pearson, Chair from 1st July to 30th September (resigned 9 October 2020)
Alan Hughes, interim Chair from 1st October 2020
Sian Herbert - appointed 1st October 2020
Executive Directors are invited to attend. No attendee or member is present for discussion of their own remuneration.

REMUNERATION POLICY

The Group policy is for potential total remuneration to be at the median levels for companies of similar size, complexity and growth aspirations for all roles; for any variable remuneration to be subject to performance criteria; and for financial and other performance measures and goals to be objective, measurable and clear.

Equals seeks to encourage and reward value created as well as pay for work done, as is appropriate for a growing firm. To this end, we want staff to share an interest in the value of the firm by means of share-based, performance-linked, long-term incentives that track shareholder value and good ESG practices over time.

Independent Non-Executive Directors are encouraged to hold shares but do not qualify for share options or incentives.

The Remuneration Policy is reviewed annually to align with the Group's development and shareholder expectations.

2020 REMUNERATION

As outlined in the Strategic Report, 2020 was an unexpectedly difficult year for many of our people personally and challenging to address successfully the turbulence in our markets. The Group's plans and priorities had to change quickly and they did so in response. All staff and Directors took voluntary pay cuts for two periods during the year and use was made of the Government furlough scheme in parts of our business. The Group constantly monitors salary levels across similar enterprises and reacts where necessary to upward salary pressures.

The base salaries of the CEO and the CFO were unchanged in 2020, at £275,000 (2019: £275,000) and £250,000 (2019: £250,000) respectively. Both participated in the periodic voluntary pay cuts during the year as mentioned above. There was no change to base salary of the Non-Executive Directors during the year. They too participated fully in the voluntary pay cuts.

SHORT TERM INCENTIVES – ANNUAL BONUSES

All bonuses and conditional bonuses, whether the conditions have been made or not, have, from 2020 onwards, been accrued.

CEO BONUS

In relation to the 2019 financial year, a bonus of £247,500 was awarded during 2020. £165,000 was paid during 2020 and £82,500 was paid in 2021.

The CEO is entitled to a bonus of £275,000 in relation to 2020 should all performance conditions be met. At the date of signing these financial statements, 50% of the conditions have been met and £137,500 is immediately payable. The second tranche of £137,500 is deferred and is conditional on evidence that the actions taken during 2020 have resulted in the strength of the Group's performance continuing. The full amount of the bonus has been accrued.

CFO BONUS

The CFO was awarded and paid a bonus of 60% of his base salary, £150,000 during 2020 based upon the significant improvements in reporting that he implemented. A further £40,000, awarded as a pension contribution, was paid in April 2021 in relation to other achievements in 2020. This has been accrued in full.

DIRECTORS' REMUNERATION REPORT CONTINUED

TOTAL REMUNERATION PAID

The following tables provide details of Directors' remuneration paid during 2020 and 2019 financial years before deductions for income tax and national insurance contributions (where relevant).

Year ended 31 December 2020	Gross Salary £	Bonus £	Employer Pension £	Benefits £	Total Remuneration Paid £
Paid during the year					
Executive Directors					
Ian Strafford-Taylor	254,477	165,000	3,503	2,681	425,661
Richard Cooper	231,145	150,000	3,503	2,773	387,421
Sub-total - executives	485,622	315,000	7,006	5,454	813,082
Non-Executive Directors					
A Chowdhury (resigned 29 July 2020)	21,333	–	–	–	21,333
J Pearson (resigned 9 October 2020)	56,943	–	2,675	–	59,618
R M Head (resigned 1 October 2020)	32,750	–	–	–	32,750
A R F Hughes (appointed 1 March 2020)	56,359	–	–	–	56,359
S A Herbert (appointed 1 October 2020)	18,734	–	–	–	18,734
Total remuneration paid	**671,741**	**315,000**	**9,681**	**5,454**	**1,001,876**

Year ended 31 December 2019	Gross Salary £	Bonus £	Employer Pension £	Benefits £	Total Remuneration Paid £
Paid during the year					
Executive Directors					
Ian Strafford-Taylor	271,144	272,500	1,919	856	546,419
Richard Cooper (appointed 14 October 2019)	55,128	–	–		55,128
Sub-total - executives	326,272	272,500	1,919	856	601,547
Non-Executive Directors					
A Chowdhury (resigned 29 July 2020)	50,000	–	–		50,000
J Pearson (resigned 9 October 2020)	74,269	–	1,919		76,188
R M Head (resigned 1 October 2020)	55,000	–	–		55,000
Total remuneration paid	**505,541**	**272,500**	**3,838**	**856**	**782,735**

LONG-TERM SHARE-BASED INCENTIVES LTIP

LTIP awards will typically vest over a three-year period with annual performance criteria and then be subject to holding periods. For awards granted to Executive Directors which vest, 50% of the net shares taken (after payment of tax and NIC) must be held for a minimum period of one year.

In 2020 executives have been granted performance-based share options shown in the table below. These were to maintain their incentive and were adjusted with the help of shareholder feedback.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' interests in long term incentive plan share options as at 31 December 2020 was:

Director award date	Option price (£)	Number Granted	Date Granted	Earliest Exercise date	Latest exercise date
Ian Strafford – Taylor					
28/07/2014	0.22	192,950	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,789,300	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,535,750	28/07/2014	05/08/2016	03/11/2022
28/09/2016	0.30	250,000	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.30	250,000	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.30	250,000	28/09/2016	28/09/2019	27/09/2026
01/09/2020	0.29	666,667	01/09/2020	30/04/2021	01/09/2030
01/09/2020	0.29	666,667	01/09/2020	30/04/2022	01/09/2030
01/09/2020	0.29	666,666	01/09/2020	30/04/2023	01/09/2030
Richard Cooper					
01/09/2020	0.29	333,333	01/09/2020	30/04/2021	01/09/2030
01/09/2020	0.29	333,333	01/09/2020	30/04/2022	01/09/2030
01/09/2020	0.29	333,334	01/09/2020	30/04/2023	01/09/2030
		7,268,000			

ALAN HUGHES
Interim Chair of the Remuneration Committee
7 April 2021

Directors' report
for the year ended 31 December 2020

Equals Group PLC is a company limited by shares. The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2020.

FINANCIAL REPORTING

The consolidated financial statements of Equals Group PLC for the year ended 31 December 2020 are set out on pages 60 to 93. These have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were to provide foreign exchange payment services and banking services to both private customers and corporations through prepaid currency cards, travel cash, international money transfers and current accounts. Major trading subsidiaries FairFX PLC, Spectrum Payment Services Limited and Equals Connect Limited are authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services and Fair Payments Limited is authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011 for the provision of electronic money services.

The principal activity of the Company is as an investment holding company for the Equals Group of companies.

KEY PERFORMANCE INDICATORS

The Strategic Report set out on pages 6 to 25 provides key performance indicators and an assessment of the Group's financial performance throughout the year.

RELATIONSHIP WITH EMPLOYEES

The Group operates transparently with its employees and holds fortnightly Group wide "All Hands" with the purpose of keeping employees up to date with Group business and its developments. These also offer staff the opportunity to present their viewpoints and are in addition to regular departmental updates. The Board believes this helps create a common awareness and goals across the Group to help it achieve its strategies.

Equals is an equal opportunity employer. It does not discriminate on the basis of disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sexual orientation, religion or belief, sex or age. It ensures that this is upheld in regard to hiring, continuing employment and training, career development and promotion.

Further details of the Group's relationship with its employees can be found in the Section 172 statement on pages 24 and 25 and in the ESG report on pages 30 to 40.

RELATIONSHIPS WITH SUPPLIERS AND, CUSTOMERS AND OTHERS

The Group recognises that strong relationships with customers and fair dealings with its suppliers are key to its success as a business. Further details of how this is applied in practice can be found in the Section 172 statement in the Strategic Report on pages 24 and 25.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: 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
R Q M Cooper
A Chowdhury (resigned 30 June 2020)
J Pearson (resigned 20 October 2020)
R M Head (resigned 1 October 2020)
A R F Hughes (appointed 1 March 2020)
S A Herbert (appointed 1 October 2020)

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2020 held the following shares in the Company as at that date:

	Shareholding %	Ordinary 1p shares 2020
I A I Strafford - Taylor	1.22%	2,177,750
R Q M Cooper	0.05%	89,000
A R F Hughes	0.02%	34,000
S A Herbert	0.02%	33,000

DIRECTORS' REPORT CONTINUED

The Directors who held office at 31 December 2020 held the following unexercised share options in the Company as at that date:

	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
	0.29	2,000,000	01/09/2020
R Q M Cooper	0.29	1,000,000	01/09/2020

INDEMNITY INSURANCE

The Company maintains a directors and officers liability insurance policy in respect of any legal costs that may be incurred against the Directors in dealing with any legal claims or investigations. The policy was in place throughout the year and up to the date of approval of the financial statements.

CAPITAL STRUCTURE

Details of the Group's authorised and issued share capital, together with details of the movement therein, are set out in note 16 to the financial statements. This includes the rights and obligations attaching to shares. There are no restrictions on the transfer of the Company's shares. Details of Directors and major shareholders (that hold greater than 3.0%) are set out below:

Name	No. of Ordinary Shares held	Percentage of issued capital
Crystal Amber Fund Limited	45,889,497	25.69%
Pembar Limited	24,889,833	13.94%
Jo Hambro Capital Management	12,000,000	6.72%
Stephen Heath	8,648,341	4.84%
Schroders Funds	8,520,000	4.77%
Hargreaves Lansdown	7,589,414	4.25%
Christian Levett	7,069,344	3.96%

ENVIRONMENT

The Directors believe the Group's greenhouse gas emissions are minimal and largely limited to its offices. As such, carbon dioxide emission data has not been collected or disclosed under the UK Companies Act 2006. Further information on environmental matters can be found in the ESG report on pages 30 to 40.

RESEARCH AND DEVELOPMENT

The Group has continued its investment in research and development throughout the year. A review of the work undertaken can be found in the Chief Executive's Report on pages 8 to 13

RISK AND RISK MANAGEMENT

The Group is exposed to various financial and operational risks. Further details of these, including processes put in place to mitigate these risks, are disclosed in the Risk Committee Report on pages 44 to 45 and note 21 of the financial statements.

INDEPENDENT AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditor 28 days after the financial statements are sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

On 1 January 2021, the UK Brexit transition period ended and the UK was therefore no longer a member of the European Union (EU) single market and customs union. As a consequence of this and with no separate agreement on the provision of financial services post this period, the Group lost its regulatory passporting rights to carry payment services in the EU under the Payment Services Directive. The Group is considering alternative access arrangements to the EU.

FUTURE DEVELOPMENT

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 6 to 25.

DIRECTORS' REPORT CONTINUED

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. Management has sensitised its base case, assumed certain business lines might be discontinued and examined the truncating of product development expenditure. The Group is satisfied with the adequacy of its cash position. Further details of post balance sheet trading and position can be found in the Chairman's Statement on page 7.

The Directors' Report was approved by the Board on 7 April 2021 and signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

for the year ended 31 December 2020

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state that international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Independent auditors' report to the members of Equals Group PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Equals Group Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: consolidated and Company statements of financial position as at 31 December 2020; the consolidated statement of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

Overview

• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group comprises multiple subsidiary entities in the UK. Most of the Group's accounting systems are centralised in the corporate head office located in London. • Our overall audit approach considered each subsidiary entity's contribution to the Group's financial reporting balances.
• Capitalisation of IT development costs (Group). • Carrying value of goodwill (Group and Company). • Considering the impact of COVID-19 (Group and Company).
• Overall Group materiality: £241,660 (2019: £225,000) based on 1% of average revenue over the last three years. • Overall Company materiality: £22,485 (2019: £19,000) based on 1% of expenses. • Performance materiality: £181,245 (Group) and £16,864 (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP PLC CONTINUED

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory rules, primarily those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates and judgemental areas of the financial statements such as goodwill and capitalization of IT development costs. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Reviewing relevant meeting minutes including those of the Board;
- Reading and evaluating key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of IT development costs (Group) The Group's disclosures are given in note 10. Management's accounting policies are detailed on pages 67 and 68. Management's judgements in application of accounting policy and critical estimates are disclosed on page 70. During the year, £4.5 million of costs were capitalised across the Group's subsidiaries. The determination of costs, particularly salaries and other personnel related costs, that meet the criteria in IAS 38 *Intangible Assets* to be capitalised is subjective. The Group's estimates included determining the extent of time spent by employees performing IT and non-IT roles in developmental activities and whether all costs were directly attributable to the relevant projects.	Our testing of capitalised internally generated intangible assets included: • We obtained an understanding of the Group's IT project plans including the nature and feasibility of key projects and activities performed. • We determined the likelihood of the projects delivering sufficient future economic benefits. • We obtained a breakdown of capitalised IT development costs and agreed this to the general ledger. • We agreed a sample of IT development cost additions to supporting documentation and tested that the costs met the criteria for capitalisation within IAS 38. • We recalculated the amounts capitalised and tested the reliability of data used within the calculation. Based on the procedures performed and evidence obtained, we found management's conclusions to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group and Company) The Group's disclosures are given in note 10. Management's accounting policies are detailed on pages 67 and 68. Management's judgements in application of accounting policies and critical estimates are disclosed on page 70. The Group has £15.1 million goodwill on the balance sheet at 31 December 2020 (£14.3 million at 31 December 2019). An impairment test was performed by management, with supporting sensitivity analysis, using the higher of value in use ('VIU') and fair value less cost to sell. Management predominantly used VIU in its impairment tests, unless it believed that fair value less cost to sell would result in a higher recoverable amount for any cash generating unit ("CGU"). Management's analysis showed that for each CGU the recoverable amount was higher than the carrying value, and so no impairment was recorded. The methodology applied by management is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, experts engaged by management and market data. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. Specifically, these included valuation multiples used, forecast revenue and costs and discount rates.	Our testing of the carrying value of goodwill included: • We assessed the Directors' identification and allocation of goodwill and other assets to CGUs based on our understanding of the business; • We evaluated, challenged, and agreed to supporting evidence where available the Group's assumptions used in the annual impairment review, in particular the valuation multiples, forecast cash flows and the discount rate applied; • We specifically considered the impact of the COVID-19 pandemic on the achievability of management's forecasts; • We considered the skills, experience and independence of management's experts used; • We used our own experts to support the audit team in challenging certain assumptions used by management; and • We tested the mathematical accuracy of the calculations used to estimate the recoverable amounts for each CGU. Based on the procedures performed and evidence obtained, we found management's conclusions to be appropriate.
Considering the impact of COVID-19 (Group and Company) The directors' disclosures demonstrating how the pandemic gives rise to a risk for the Group is given on page 45. Management's going concern considerations relating to the impact of COVID-19 have been assessed on pages 51 and 65. The Group and the Company operates in the UK which has been impacted by the global pandemic of COVID-19. The pandemic has been disruptive to financial markets and normal patterns of human behaviour. The impact on the UK and global economy is expected to continue throughout 2021. In response, the UK and other governments, and the Bank of England, have announced measures, such as lowering the base rate and providing financial support to businesses, designed to limit the resulting adverse impacts on the economy. The Directors' have specifically considered the impact on the annual accounts as it gives rise to greater levels of uncertainty in the following areas: • The going concern assessment of the Group and Company; and • The carrying value of goodwill. In doing so, management has made assumptions that are critical to the outcome of these considerations.	We discussed the impact of COVID-19 on the Group and Company's accounts and operations with the Audit Committee during the year. Our planning and execution of the audit has given specific consideration to the impact of COVID-19. This included adopting a different basis for determining materiality to take account of the volatility in results. We considered the impact of COVID-19 on the Group's control environment and where necessary made relevant changes to our audit approach. We also adapted our own working practices to remote working and ensured we gathered appropriate audit evidence. The impact of COVID-19 on the most significant accounting estimate and our audit is in relation to the carrying value of goodwill as reported in the relevant Key Audit Matter in this opinion. We have assessed management's going concern assessment and findings are included in the section 'Conclusions relating to going concern' later in this opinion. This included consideration of the future. As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP PLC CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. Within the Group's main consolidation and financial reporting system, the consolidated financial statements are a consolidation of subsidiary entities. In establishing the overall approach to the Group audit, we scoped our work using the balances included in the consolidation. We determined the type of work that needed to be performed over the subsidiary entities by us, as the Group engagement team. As a result of our scoping, we determined that an audit of the complete financial information of FairFx plc, Spectrum Payment Services Limited and Equals Connect Limited was necessary, owing to their financial significance. All audit work over these subsidiary entities was performed by the Group engagement team. We then considered the significance of other reporting units in relation to primary statement account balances. In doing this we also considered the presence of any significant audit risks and other qualitative factors. For the remainder, the risk of material misstatement was mitigated through Group audit procedures including subsidiary level analytical review procedures. Certain Group-level account balances, including goodwill, were audited by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£241,660 (2019: £225,000).	£22,485 (2019: £19,000).
How we determined it	1% of average revenue over the last three years	1% of expenses
Rationale for benchmark applied	The Group is very focused on expansion through acquisition and organic growth. Revenue has been determined to be a key measure of financial performance for the Group and therefore has been used to determine materiality. Whilst revenue is still considered to be the most suitable benchmark, we used a three year average to eliminate the volatility introduced by COVID-19.	The Company is a holding Company. Expenses are the primary measure of performance and therefore have been used to determine materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £76,000 and £181,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £181,245 for the Group financial statements and £16,864 for the Company financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP PLC CONTINUED

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £12,083 (Group audit) (2019: £11,300) and £1,124 (Company audit) (2019: £1,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We used our knowledge of the Group, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period;
- We considered whether these risks could plausibly affect the liquidity or profitability in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group and Company's financial forecasts
- We considered whether the going concern disclosure in note 3.1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the annual report and financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP PLC CONTINUED

view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

DANIEL BRYDON
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
7 April 2021

Financial statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2020 £	2019 £
Gross value of currency transactions sold*[1]	3.4	2,671,244,658	2,117,459,669
Gross value of banking deposit transactions	3.4	821,426,227	769,446,473
Revenue on currency transactions		23,849,449	25,611,521
Banking revenue		5,110,180	5,333,203
Revenue	4	28,959,629	30,944,724
Direct costs		(10,670,263)	(10,378,265)
Gross profit		18,289,366	20,566,459
Administrative expenses	5	(22,466,835)	(20,123,517)
Amortisation charge	10	(4,346,682)	(2,830,587)
Impairment charge	10	–	(4,858,898)
Acquisition expenses	5j	(130,433)	(478,476)
Total operating expenses		(26,943,950)	(28,291,478)
Operating loss		(8,654,584)	(7,725,019)
Finance costs		(391,813)	(233,564)
Loss before tax		(9,046,397)	(7,958,583)
Tax credit	6	2,109,055	2,586,885
Loss after tax`		(6,937,342)	(5,371,698)
Attributable to:			
Owners of Equals Group PLC		(6,919,650)	(5,342,074)
Non-controlling interest		(17,692)	(29,624)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		6,246	–
Total comprehensive loss for the year		(6,931,096)	(5,371,698)
Loss per share			
Basic	7	(3.87)p	(3.20)p
Diluted	7	(3.87)p	(3.12)p

*[1]Gross value of currency transactions sold and banking deposit transactions are a non-GAAP measure and represent the gross value of currency transactions sold to customers and banking deposits made by customers. See Note 3.4 for more guidance.

All income and expenses arise from continuing operations.

The notes on pages 65 to 93 form an integral part of these financial statements.

Consolidated and Company Statement of Financial Position

as at 31 December

	Note	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
ASSETS					
Non-current assets					
Property, plant and equipment	8	1,645,635	1,972,818	–	–
Right of use assets	9	6,061,346	6,948,876	–	–
Intangible assets and goodwill	10	34,849,927	33,324,137	–	–
Deferred tax assets	6	3,192,585	2,438,859	743,613	238,369
Investments	11	–	–	61,706,671	38,892,060
		45,749,493	44,684,690	62,450,284	39,130,429
Current assets					
Inventories	13	194,091	263,971	–	–
Trade and other receivables	14	10,953,438	11,347,749	274,222	20,138,017
Derivative financial assets	20	3,019,247	4,560,780	–	–
Cash and cash equivalents	15	10,032,178	11,265,266	–	–
		24,198,954	27,437,766	274,222	20,138,017
TOTAL ASSETS		69,948,447	72,122,456	62,724,506	59,268,446
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	16	1,786,029	1,786,029	1,786,029	1,786,029
Share premium		53,003,077	53,003,077	53,003,077	53,003,077
Share-based payment reserve		1,401,886	1,345,234	1,401,886	957,757
Other reserves	17	8,608,867	8,602,621	3,186,538	3,186,538
Retained (deficit)/earnings		(22,258,531)	(15,338,881)	1,530,421	(1,624,991)
Equity attributable to owners of Equals Group PLC		42,541,328	49,398,080	60,907,951	57,308,410
Non-controlling interest		101,134	118,826	–	–
		42,642,462	49,516,906	60,907,951	57,308,410
Non-current liabilities					
Borrowings	18	2,000,000	–	–	–
Lease liabilities	9	5,509,382	6,431,578	–	–
Deferred tax liabilities	6	3,739,960	3,226,586	–	–
		11,249,342	9,658,164	–	–
Current liabilities					
Trade and other payables	19	12,109,220	7,947,364	1,816,555	1,960,036
Lease liabilities	9	897,266	811,628	–	–
Derivative financial liabilities	20	3,050,157	4,188,394	–	–
		16,056,643	12,947,386	1,816,555	1,960,036
TOTAL EQUITY AND LIABILITIES		69,948,447	72,122,456	62,724,506	59,268,446

The notes on pages 65 to 93 form an integral part of these financial statements.

The financial statements on pages 60 to 93 were approved by the Board of Directors on 7 April 2021 and were signed on its behalf by:

Richard Cooper

Director, Chief Financial Officer

Company Registration number: 08922461

Consolidated and Company Statement of Changes in Equity

for the year ended 31 December

Group	Called up share capital	Share premium	Share-based payment	Accumulated losses	Other reserves (note 17)	Total attributable to owners of Equals Group PLC	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£
	Attributable to the owners of Equals Group PLC							
At 1 January 2019	1,553,682	35,858,770	1,748,105	(9,832,880)	8,938,693	38,266,370	–	38,266,370
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	–	148,450	148,450
Loss for the year and total comprehensive expense	–	–	–	(5,342,074)	–	(5,342,074)	(29,624)	(5,371,698)
Share-based payment charge (note 22)	–	–	122,609	–	–	122,609	–	122,609
Movement in deferred tax on share-based payment reserve	–	–	(525,480)	–	–	(525,480)	–	(525,480)
Shares issued in year	232,347	17,144,307	–	(163,927)	(336,072)	16,876,655	–	16,876,655
At 31 December 2019	1,786,029	53,003,077	1,345,234	(15,338,881)	8,602,621	49,398,080	118,826	49,516,906
Loss for the year	–	–	–	(6,919,650)	–	(6,919,650)	(17,692)	(6,937,342)
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	6,246	6,246	–	6,246
Other items:								
Share-based payment charge (note 22)	–	–	444,129	–	–	444,129	–	444,129
Movement in deferred tax on share-based payment reserve	–	–	(387,477)	–	–	(387,477)	–	(387,477)
At 31 December 2020	1,786,029	53,003,077	1,401,886	(22,258,531)	8,608,867	42,541,328	101,134	42,642,462

Company	Called up share capital	Share premium	Share-based payment	Retained earnings / accumulated losses	Other reserves (note 17)	Total attributable to owners of Equals Group PLC	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2019	1,553,682	35,858,770	835,148	240,954	3,522,610	42,011,164	–	42,011,164
Loss for the year and total comprehensive expense	–	–	–	(1,702,018)	–	(1,702,018)	–	(1,702,018)
Shares issued in the year	232,347	17,144,307	–	(163,927)	(336,072)	16,876,655	–	16,876,655
Share-based payment charge (note 22)	–	–	122,609	–	–	122,609	–	122,609
At 31 December 2019	1,786,029	53,003,077	957,757	(1,624,991)	3,186,538	57,308,410	–	57,308,410
Profit for the year and total comprehensive income	–	–	–	3,155,412	–	3,155,412	–	3,155,412
Share-based payment charge (note 22)	–	–	444,129	–	–	444,129	–	444,129
At 31 December 2020	1,786,029	53,003,077	1,401,886	1,530,421	3,186,538	60,907,951	–	60,907,951

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 reserve	Proportion of the fair value of share options granted relating to services rendered up to the balance sheet date
Retained deficit	Cumulative profit and losses attributable to equity shareholders.
Other reserves comprise:	
Merger reserve	Arising on reverse acquisition from Group reorganisation.
Contingent consideration reserve	Arising on equity based contingent consideration on acquisition of subsidiaries.
Foreign currency reserve	Arising on translation of foreign operations

The notes on pages 65 to 93 form an integral part of these financial statements.

Consolidated Statement of Cash flows

for the year ended 31 December

Group	Note	2020 £	2019 £
Operating loss for the year		(8,654,584)	(7,725,019)
Cash flows from operating activities			
Adjustments for:			
Depreciation	5	1,427,368	1,347,872
Amortisation	10	4,346,682	2,830,587
Impairment		–	4,858,898
Share-based payment charge	5	444,129	122,609
Increase in trade and other receivables		(401,045)	(1,859,253)
Decrease / (Increase) in derivative financial assets	20	1,541,533	(3,378,888)
Increase in trade and other payables		3,051,193	2,943,227
(Decrease) / Increase in derivative financial liabilities		(1,510,626)	3,609,438
Decrease in inventories	13	69,880	22,742
Net cash inflow		314,530	2,772,213
Tax receipts		2,538,873	–
Net cash inflow from operating activities		2,853,403	2,772,213
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(159,834)	(1,460,870)
Acquisition of intangibles	10	(4,530,470)	(11,679,597)
Acquisition of subsidiary, net of cash acquired	12	(255,433)	(2,226,153)
Net cash used in investing activities		(4,945,737)	(15,366,620)
Cash flows from financing activities			
New borrowings	18	2,000,000	–
Principal elements of lease payments	9	(891,167)	(643,786)
Interest paid on finance lease	9	(222,193)	(233,564)
Interest paid		(27,394)	–
Proceeds from issuance of ordinary shares		–	17,748,353
Costs directly attributable to share issuance		–	(871,698)
Net cash inflow from financing activities		859,246	15,999,305
Net (decrease)/increase in cash and cash equivalents		(1,233,088)	3,404,898
Cash and cash equivalents at the beginning of the year		11,265,266	7,860,368
Cash and cash equivalents at end of the year	15	10,032,178	11,265,266

The notes on pages 65 to 93 form an integral part of these financial statements.

Company Statement of Cash flows

for the year ended 31 December

Company	2020 £	2019 £
Profit / (loss) before tax	2,650,167	(1,940,387)
Cash flows from operating activities		
Adjustments for:		
Increase in trade and other receivables	(2,506,686)	(15,230,313)
(Decrease) / increase in trade and other payables	(143,481)	294,045
Net cash outflow from operating activities	–	(16,876,655)
Cash flows from financing activities		
Proceeds from issuance of shares	–	17,748,353
Costs directly attributable to share issuance	–	(871,698)
Net cash inflow from financing activities	–	16,876,655
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at end of the year	–	–

At 31 December the Company held no bank accounts.

The notes on pages 65 to 93 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

The Company is a public company limited by shares and incorporated in England and Wales and domiciled in the UK and whose shares are admitted to AIM, a market operated by The London Stock Exchange. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a financial technology (fintech) provider, primarily providing foreign currency and banking services. In addition, the Group has a Bureau de Change retail network in the City of London.

The Company and Group's consolidated financial statements for the year ended 31 December 2020 were authorised for issue on 7 April 2021 and the Company and Group's statement of financial position signed by Richard Cooper on behalf of the Board.

2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS

New and revised accounting standards and interpretations adopted, none of which had any material impact to the Group:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- Definition of a Business (Amendments to IFRS 3)
- *COVID-19-Related Rent Concessions – Amendment to IFRS 16*

New standards, amendments and interpretations issued but not yet effective, none of which is expected to have a material impact on the Group:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective 1 January 2021)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022)*
- *IFRS 17 Insurance Contracts (effective date of 1 January 2023)*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective date of 1 January 2023)*

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Group and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments which are measured at fair value through profit or loss.

3.1 Basis of preparation

These financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and AIM Regulations. The financial statements are presented in sterling, the Company and Group's presentational currency.

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company and Group's accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.26.

Going concern

Details of the Group's business activities, results, cash flows and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the strategic report. Certain Group companies are regulated by the Financial Conduct Authority and perform annual capital adequacy assessments. Consideration was given to whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and twhe effectiveness of risk management policies. Management has sensitised its base case, assumed certain business lines might be discontinued and examined the truncating of product development expenditure. The Board therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of all Group subsidiaries at 31 December each year using consistent accounting policies.

Business combinations

The Group financial statements for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to,

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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. A non-controlling interest is recognised, representing the interests of minority shareholders in subsidiaries not wholly owned by the Group.

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

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

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

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

3.4 Gross value of currency transactions sold and the gross value of banking transactions
The gross value of currency transactions sold represent the gross value of currency transactions undertaken with customers by the Group, where the net is reported as revenue. The gross value of banking transactions represents client money deposits by customers. These values are a non-GAAP measure and therefore disclosed as additional information in the consolidated statement of comprehensive income.

3.5 Revenue recognition
The Group applies IFRS 15 *Revenue from Contracts with Customers* for the recognition of revenue. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It affects the timing and recognition of revenue items, but not generally the overall amount recognised.

The performance obligations of all revenue streams are satisfied on the transaction date or by the provision of the service for the period described in the contract. Revenue is not recognised where there is evidence to suggest that customers do not have the ability or intention to pay. The Group does not have any contracts with customers where the performance obligations have not been fully satisfied.

How the Group recognises revenue for its significant revenue streams is described below.

Currency Cards
A contract is identified when it is approved by relevant parties and when the card is issued to the customer. Performance obligations and transaction prices are set out in the contract. Revenue from provision of card services is recognised over period in which they are provided.

ATM transaction and out-of-currency variable fees are constrained to the amount not expected to be reversed. Variable revenue is recognised at the point at which it is unlikely to be reversed, typically the transaction date.

International Payments and Travel Cash
This service relates to the facility to buy and sell currency. A contract is identified when a payment is approved by the Group and the customer. Performance obligations and transaction prices are set out in the contract. Revenue is recognised on the transaction date.

Banking
This service relates to the provision of bank account services. A contract is identified when a customer enters an agreement with the Group for a Cardone Banking account. Performance obligations and transaction prices are set out in the contract.

Monthly account fees are recognised during the month the account is provided. ATM transaction and out-of-currency variable fees are recognised up to the amount not expected to be reversed. Variable revenue is recognised at the point at which it is unlikely to be reversed, typically the transaction date.

3.6 Accounting for government grants
The Group recognises government grants once it has satisfied itself that it is compliant with the relevant conditions and the grant will be received. Grant income is recognised in profit or loss on a systematic basis and in line with the recognition of the expenses that the grants are intended to compensate, and is offset against related expenditure.

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

3.8 Share-based payments
Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the services received by the entity as consideration cannot be specifically identified, they

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED

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 22.

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 in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution on the computation of earnings per share. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised.

3.9 Research and development

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

3.10 Treatment of research and development tax credits

Research and development tax credits are treated as taxation credits as defined under IAS12 Income Taxes with a credit recorded in the year to which the claim relates.

3.11 Taxation

The tax expense comprises current and deferred tax and R&D tax credits.

3.12 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

3.13 Intangible assets and goodwill

(i) Recognition and measurement

Goodwill arising on business combinations is measured at cost less accumulated impairment losses.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Separately acquired trademarks and licences are shown at historical cost less accumulated impairment losses. Other intangible assets, including customer relationships, patents and trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Customer relationships	6-9 years
Brands	5 years
Trademarks, licences, patented and non-patented technology	3-10 years

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

3.14 Property, plant and equipment

All property, plant and equipment is stated at cost of acquisition or production cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Plant and equipment	3-5 years
Fixtures and fittings	3-5 years
Leasehold improvements	10 years

3.15 Investments in subsidiaries

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

3.16 Inventories

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

3.17 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 3.24.

3.18 Derivative financial assets and liabilities

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

3.19 Offsetting of financial instruments

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

3.20 Cash and cash equivalents

These include cash in hand and deposits held at call with banks. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligations. The risks and rewards to the Group that arise from the holding of customer money are principally vested with the customers. As a result, the Group does not account for customer cash in the Group's financial statements.

3.21 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost using the effective interest method. The Group does not account for customer cash and the associated customer liability in the Group's financial statements, as the risks and rewards that arise are principally vested with the customers.

3.22 Provisions excluding those under IFRS 9 (see note 3.24)

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date.

3.23 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Group recognises a right of use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

Right of use assets are depreciated using the straight-line basis over the lease term at a rate between 10-25%. The Group applies the following practical expedients permitted by the standard:

- excluding short term leases (less than 12 months) and low-value items (less than £3,775)
- exercising extension options where the contract contains a provision.

There are no variable payment terms in current leases.

3.24 Impairment

A. Non-derivative financial assets

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

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

Trade and other receivables

The Group applies the IFRS 9 simplified approach. The Group does not track changes in credit risk, instead the Group recognised a loss allowance based on a lifetime expected credit loss at each reporting date.

B. Non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCOD"). Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. FVLCOD is the price that would be received to sell an asset or CGU in an orderly transaction between market participants at the measurement date, less any incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. The Group's CGU's for impairment testing are defined in note 10. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

3.25 Director's remuneration

From 2020, the Group have adopted accrual accounting for the recognition of annual bonuses to Executive Directors, with bonuses being accrued in the year to which they relate, provided in management's opinion it seems more certain than not that any award dependent on the fulfilment of performance criteria will, in fact, be met. Previously bonuses were recognised in the year they were awarded. See note 5b for further details.

3.26 Judgements and estimates

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

A. Judgements

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

(i) Technology development intangibles

Development costs are capitalised based on management's judgements that the project is technologically and economically feasible, the asset is expected to generate future net cash inflows and a successful outcome is probable in accordance with IAS 38 Intangible Assets. Management judgement is required to determine the useful economic lives of these assets and uses market and technological knowledge in determining these.

(ii) IFRS 16 *Leases – lease term and extension options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). All extension options in offices leases have been included in the lease liability.

(iii) IFRS 16 *Leases – incremental borrowing rate*

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group which do not have recent third-party financing, and makes adjustments specific to the lease; inflation, country risk premium, financing spread level of indebtedness and asset specific risk.

B. Assumptions and estimation uncertainties

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

Impairment of goodwill and intangibles

The Group assesses goodwill annually for impairment. The assumptions and estimates used in the impairment test for goodwill including the sensitivity testing are disclosed in note 10.

Valuation of share options

The Group fair values share options on date of grant using the Black-Scholes model. Further details on the use of fair value can be found in note 3.27 Measurement of fair values and note 22 Share options.

Valuation of derivative instruments

The Group enters into foreign exchange forward positions with clients which it offsets against foreign exchange forward positions with various financial institutions, earning a margin in the process. Open positions are fair valued at the balance sheet date using Bloomberg forward rates for all major currencies.

Deferred consideration

Total compensation for acquisitions may include an element of deferred consideration payable, subject to the fulfilment of certain conditions post-acquisition. Where this is the case, management use historical information and management forecasts to estimate a liability, using the discounted cash-flow methodology, to derive a fair value of the deferred consideration payable. This estimate is revised at each reporting date to reflect latest current and expected outcomes.

3.27 Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED**

4. REVENUE AND SEGMENTAL ANALYSIS

Segment results are reported to the Board of Directors (being the chief operating decision maker) to assess both performance and support strategic decisions. The Board reviews financial information on revenue for the following segments: Currency Cards, International Payments, Travel Cash, Banking and Central (which includes overheads and corporate costs). Revenue is primarily derived from UK based customers.

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

Group	Currency Cards £	International Payments £	Travel Cash £	Banking £	Central £	Total £
Year ended 31 December 2020						
Segment revenue	5,856,180	17,241,091	630,156	5,110,180	122,022	28,959,629
Direct costs	(2,946,536)	(6,176,228)	(274,064)	(1,356,074)	82,639	(10,670,263)
Gross profit	2,909,644	11,064,863	356,092	3,754,106	204,661	18,289,366
Administrative expenses	–	–	–	–	(22,466,835)	(22,466,835)
Amortisation charge	–	–	–	–	(4,346,682)	(4,346,682)
Acquisition expenses	–	–	–	–	(130,433)	(130,433)
Finance costs	–	–	–	–	(391,813)	(391,813)
Profit / (loss) before tax	2,909,644	11,064,863	356,092	3,754,106	(27,131,102)	(9,046,397)
Total assets	–	–	–	4,398,909	65,549,538	69,948,447
Total liabilities	–	–	–	(1,754,754)	(25,551,231)	(27,305,985)
Total net assets	–	–	–	2,644,155	39,998,307	42,642,462

Group	Currency Cards £	International Payments £	Travel Cash £	Banking £	Central £	Total £
Year ended 31 December 2019						
Segment revenue	11,293,815	11,928,662	2,389,044	5,333,203	–	30,944,724
Direct costs	(4,391,599)	(3,537,900)	(1,043,047)	(1,405,719)	–	(10,378,265)
Gross profit	6,902,216	8,390,762	1,345,997	3,927,484	–	20,566,459
Administrative expenses	–	–	–	–	(20,123,517)	(20,123,517)
Amortisation charge	–	–	–	–	(2,830,587)	(2,830,587)
Impairment charge	–	–		(4,858,898)	–	(4,858,898)
Acquisition expenses	–	–		–	(478,476)	(478,476)
Finance costs	–	–	–	–	(233,564)	(233,564)
Profit / (loss) before tax	6,902,216	8,390,762	1,345,997	(931,414)	(23,666,144)	(7,958,583)
Total assets	–	–	–	5,077,618	67,044,838	72,122,456
Total liabilities	–	–	–	(1,926,658)	(20,678,892)	(22,605,550)
Total net assets	–	–	–	3,150,960	46,365,946	49,516,906

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

5. OPERATING LOSS

Operating Loss is stated after charging the following operating expenses:

	Note	2020 £	2019 £
Staff costs (net of expenditure capitalised)	5a	12,894,185	10,695,174
IT and telephone cost (net of expenditure capitalised)	5c	1,298,634	877,597
Other professional fees	5d	1,644,755	1,283,166
Marketing costs		1,205,738	4,089,772
Property and office costs (net of expenditure capitalised)	5f	992,748	1,015,832
Travel and subsistence		233,231	452,041
Other		401,479	9,744
Sub-total, cash-based expenses		18,670,770	18,423,326
Write-off of card stocks	5g	574,953	–
Bad debt expense	5g	513,355	–
Depreciation of right of use assets	9	940,350	917,993
Depreciation of property, plant and equipment	8	487,018	429,879
Contingent consideration	5h	637,383	–
Share option charge		444,129	122,609
Foreign exchange loss		198,877	229,710
Sub-total, non cash-based costs		3,796,065	1,700,191
Total administrative expenses		22,466,835	20,123,517
Amortisation charge		4,346,682	2,830,587
Impairment charge		–	4,858,898
Acquisition costs – staff costs	5j	82,841	160,401
Acquisition costs – professional fees	5j	47,592	318,075
Total operating expenses		26,943,950	28,291,478

5A STAFF COSTS

Number of employees

The average monthly number of employees (including Directors) was:

	2020 Headcount	2019 Headcount
Administrative staff	311	283
Number of staff at the balance sheet date	272	331

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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5. OPERATING LOSS (CONTINUED)

Employee costs

	2020 £	2019 £
Cost of Staff on payrolls	18,827,069	17,182,355
Cost of contractors and consultants	651,244	3,268,020
Gross costs	19,478,313	20,450,375
Less: categorised in direct costs	(2,499,703)	(1,794,200)
	16,978,610	18,656,175
Less: re-categorised as acquisition costs	(82,841)	(160,401)
Less: reported within internally generated software intangibles	(4,001,584)	(7,800,600)
	12,894,185	10,695,174

	2020 £	2019 £
Wages and salaries	12,723,859	10,142,897
Social security costs	1,360,301	1,013,974
Pension costs	664,132	482,250
Less: categorised in direct costs	(2,499,703)	(1,794,036)
	12,248,589	9,845,085
Employee furlough government grant received	(545,562)	–
	11,703,027	9,845,085
Recruiting, training, benefits and similar*	1,191,158	850,089
Total**	12,894,185	10,695,174

**Includes a provision for untaken leave as consequence of COVID-19*

Includes £1,333,000 (2019: £735,000) of expenditure identified by the Directors as separately identifiable items*

****Separately identifiable items are large, one-off items identified by management.*

5B DIRECTORS' REMUNERATION

Company

All bonuses and conditional bonuses, whether the conditions have been made or not, have, from 2020 onwards, been accrued.

CEO bonus

In relation to the 2019 financial year, a bonus of £247,500 was awarded during 2020. £165,000 was paid during 2020 and £82,500 was paid in 2021.

The CEO is entitled to a bonus of £275,000 in relation to 2020 should all performance conditions be met. At the date of signing these financial statements, 50% of the conditions have been met and £137,500 is immediately payable. The second tranche of £137,500 is deferred and is conditional on evidence that the actions taken during 2020 have resulted in the strength of the Group's performance continuing. The full amount of the bonus has been accrued.

CFO bonus

The CFO was awarded and paid a bonus of 60% of his base salary, £150,000 during 2020 based upon the significant improvements in reporting that he implemented. A further £40,000, awarded as a pension contribution, was paid in April 2021 in relation to other achievements in 2020. This has been accrued in full,

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

5. OPERATING LOSS (CONTINUED)

Year ended 31 December 2020	Gross Salary £	Bonus £	Employer Pension £	Benefits £	Total Remuneration Paid £
Paid during the year					
Executive Directors					
Ian Strafford-Taylor	254,477	165,000	3,503	2,681	425,661
Richard Cooper	231,145	150,000	3,503	2,773	387,421
Sub-total - executives	485,622	315,000	7,006	5,454	813,082
Non-Executive Directors					
A Chowdhury (resigned 29 July 2020)	21,333	–	–	–	21,333
J Pearson (resigned 9 October 2020)	56,943	–	2,675	–	59,618
R M Head (resigned 1 October 2020)	32,750	–	–	–	32,750
A R F Hughes (appointed 1 March 2020)	56,359	–	–	–	56,359
S A Herbert (appointed 1 October 2020)	18,734	–	–	–	18,734
Total remuneration paid	671,741	315,000	9,681	5,454	1,001,876

Year ended 31 December 2019	Gross Salary £	Bonus £	Employer Pension £	Benefits £	Total Remuneration Paid £
Paid during the year					
Executive Directors					
Ian Strafford-Taylor	271,144	272,500	1,919	856	546,419
Richard Cooper (appointed 14 October 2019)	55,128	–	–		55,128
Sub-total - executives	326,272	272,500	1,919	856	601,547
Non-Executive Directors					
A Chowdhury (resigned 29 July 2020)	50,000	–	–		50,000
J Pearson (resigned 9 October 2020)	74,269	–	1,919		76,188
R M Head (resigned 1 October 2020)	55,000	–	–		55,000
Total remuneration paid	505,541	272,500	3,838	856	782,735

Group

The total amount paid during 2020 to executive Directors when including executive Directors of all the subsidiaries in the consolidated Group was £1,773,370 (2019: £1,694,395). This included pension payments of £25,410 (2019: £10,511). Details of CEO and CFO bonuses accrued during the year but not paid are given in the Company disclosures above. Information about Directors' share options is given in note 22.

5C IT AND TELEPHONE

	2020 £	2019 £
Underlying expenditure	1,717,216	1,180,100
Capitalised costs	(418,582)	(302,503)
Total	1,298,634	877,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED

5. OPERATING LOSS (CONTINUED)

5D PROFESSIONAL FEES

	2020 £	2019 £
Underlying expenditure	1,692,347	1,601,241
Acquisition costs	(47,592)	(318,075)
Total*	1,644,755	1,283,166

**Includes £216,770 (2019: £324,000) of expenditure identified by the Directors as separately identifiable items.*

5E AUDIT FEES

Included in professional fees above are amounts charged by the Group's auditors as follows:

	2020 £	2019 £
Statutory audit fees		
Fees payable for the statutory audit of the Group	255,000	223,200
Additional statutory audit fees payable for the prior year audit – to PwC LLP / KPMG LLP	120,000	96,000
Total audit fees	375,000	319,200

There were no non-audit fees during the current and preceding year. These amounts are shown exclusive of VAT.

5F PROPERTY AND OFFICE COSTS

	Note	2020 £	2019 £
Underlying expenditure		2,200,607	2,370,953
Capitalised costs		(45,316)	(203,654)
Depreciation of right of use assets	9	(940,350)	(917,993)
Lease finance expense	9	(222,193)	(233,564)
Total property costs		992,748	1,015,832

5G WRITE-OFF OF CARD STOCKS AND BAD DEBTS INCURRED

	2020 £	2019 £
Card stock write-off	574,953	–
Bad debts	513,355	–

The demise of Wirecard AG led to the Group having to re-card all its customers on the Wirecard programme and, allied to this, were amounts due to the Group which, in the view of the Directors, is likely to be irrecoverable.

5H CONTINGENT CONSIDERATION

Contingent consideration represents the fair value of additional consideration estimated in respect of the acquisition of Casco Financial Services Limited (renamed to Equals Connect Limited) in November 2019. This additional consideration payable is the result of revenues being in excess of forecasts at the time of acquisition.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

5. OPERATING LOSS (CONTINUED)

5J ACQUISITION EXPENSES

	Note	2020 £	2019 £
Professional fees	5d	47,592	318,075
Staff costs	5a	82,841	160,401
Total acquisition expenses		130,433	478,476

Costs incurred in 2020 were in relation to the acquisition of Effective FX in October 2020. Costs incurred in 2019 were in relation to the acquisition of Hermex FX in August 2019 and Casco FX in November 2019.

6. TAXATION

The Group's taxation charge or credit is the composite of:

1. Corporation tax credit arising on losses in the financial year
2. R&D tax credits received or receivable on development expenditure (which is debited to the Balance Sheet)
3. Deferred taxation arising on temporary and permanent timing differences and losses carried forward, to the extent that the Company believes these to be recoverable from future profits.

At 31 December 2020, the Group had tax losses available to be offset against future taxable profits of £16,879,616 (2019: £11,273,645). The losses can be carried forward indefinitely and have no expiry date.

Additional to corporate taxation, the Group paid the following taxation costs during the year:

a. Employers National Insurance contributions - £1,751,511

b. irrecoverable VAT - £1,052,716

Group	2020 £	2019 £
R&D credit – current year	(1,346,747)	(3,478,997)
R&D credit – prior year	(24,476)	–
Changes in tax estimates related to prior years	–	(25,000)
Changes in tax estimates in pre-acquisition accounts of businesses acquired during the year	–	(10,487)
Current tax credit	(1,371,223)	(3,514,484)
Origination and reversal of temporary differences	(564,158)	868,016
Recognition of previously unrecognised deductible temporary differences	(173,674)	59,583
Deferred tax (credit) / charge	(737,832)	927,599
Total tax credit	(2,109,055)	(2,586,885)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED

6. TAXATION (CONTINUED)

Factors affecting tax credit for the year

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

	2020 £	2019 £
Loss before taxation: Continuing operations	(9,046,397)	(7,958,583)
Taxation at the UK corporation rate tax of 19.0% (2019: 19.0%)	(1,718,815)	(1,512,131)
Net permanent differences between tax and accounting	379,754	958,443
Tax losses for which no deferred tax asset utilised	–	16,669
Adjustments to tax liability in respect of previous accounting period	–	(25,000)
Adjustments to R&D tax credits in respect of previous accounting period	(24,476)	–
Net impact of R&D tax credit claim	(658,009)	(2,073,962)
Adjustment for overprovision of tax liabilities in companies acquired during the year	–	(10,487)
Remeasure of deferred tax asset on carry forward losses	(173,674)	59,583
Effect of change in tax rates	98,430	–
Utilisation of tax losses	(12,265)	–
Total tax credit for the year	(2,109,055)	(2,586,885)

Movement in deferred tax balances

Group	Net balance at 1 January £	Acquired in business combination £	Recognised to equity £	Recognised to profit or loss £	Balance at 31 December £	Deferred tax asset £	Deferred tax liability £
2020							
Intangibles	(2,955,107)	(110,000)		(414,429)	(3,479,536)		(3,479,536)
Property plant and equipment	(270,953)			10,530	(260,423)		(260,423)
Equity settled share-based payments	550,296		(387,477)	(148,407)	14,412	14,412	
Unutilised tax losses	1,888,037			1,290,137	3,178,174	3,178,174	
Other	–						
Deferred tax assets/ (liabilities)	(787,727)	(110,000)	(387,477)	737,831	(547,373)	3,192,586	(3,739,959)

Group	Net balance at 1 January £	Acquired in business combination £	Recognised to equity £	Recognised to profit or loss £	Balance at 31 December £	Deferred tax asset £	Deferred tax liability £
2019							
Intangibles	(1,760,892)	(329,683)	–	(864,532)	(2,955,107)	–	(2,955,107)
Property plant and equipment	(138,998)	–	–	(131,955)	(270,953)	526	(271,479)
Equity settled share-based payments	1,071,635	–	(525,480)	4,141	550,296	550,296	–
Unutilised tax losses	1,607,394	–	–	280,643	1,888,037	1,888,037	–
Other	215,896	–	–	(215,896)	–	–	–
Deferred tax assets/ (liabilities)	995,035	(329,683)	(525,480)	(927,599)	(787,727)	2,438,859	(3,226,586)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

6. TAXATION (CONTINUED)

The standard rate of corporation tax applicable to the Group for the year ended 31 December 2020 was 19.0%. The Government has indicated that the rate of corporation tax may be increased to 25% with effect from 1 April 2023. Should legislation increasing the rate to 25% be substantively enacted, any timing differences which exist at that point would reverse at 25% rather than 19% and deferred tax balances would be revalued accordingly. The estimated impact of this is an increase in deferred tax recoverable of £474,538.

Assumptions and estimation uncertainties

The Group has recorded a £3,178,174 (2019: £1,888,037) deferred tax asset in relation to carried forward tax losses and has a further £28,953 (2019: £nil) deferred tax asset unrecognised. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset is taken at such point the recovery is reasonably certain. The Group has concluded that the deferred assets will be recoverable using estimated future taxable income based on a five-year forecast horizon.

7 LOSS PER SHARE

Basic earnings per share

The calculation of basic profit or loss per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The loss after tax attributable to ordinary shareholders of the Group is £6,919,650 (2019: £5,342,074) and the weighted average number of shares in issue for the period is 178,602,918 (2019: 167,096,081).

Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The weighted average number of dilutive shares is 178,602,918 (2019: 171,327,405).

	Basic 2020	Diluted 2020	Basic 2019	Diluted 2019
Loss per share	(3.87)p	(3.87)p	(3.20)p	(3.12)p

8 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2020	1,209,649	448,919	1,259,127	2,917,695
Additions	85,119	15,139	59,577	159,835
At 31 December 2020	1,294,768	464,058	1,318,704	3,077,530
Depreciation				
At 1 January 2020	626,156	91,058	227,663	944,877
Charge for the year	274,599	89,828	122,591	487,018
At 31 December 2020	900,755	180,886	350,254	1,431,895
Net book value				
At 31 December 2020	394,013	283,172	968,450	1,645,635

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED**

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2019	736,715	147,071	573,038	1,456,824
Additions	464,437	301,848	686,089	1,452,374
Acquisitions through business combinations	8,497	–	–	8,497
At 31 December 2019	1,209,649	448,919	1,259,127	2,917,695
Depreciation				
At 1 January 2019	427,271	20,336	67,391	514,998
Charge for the year	198,885	70,722	160,272	429,879
At 31 December 2019	626,156	91,058	227,663	944,877
Net book value				
At 31 December 2019	583,493	357,861	1,031,464	1,972,818

9 LEASES

Group

Right of use assets	Vehicles £	Property £	Total £
At 1 January 2020	53,375	6,895,501	6,948,876
Additions to right of use assets	40,982	89,721	130,703
Modifications to leases	–	(77,883)	(77,883)
Depreciation charge for the year	(43,057)	(897,293)	(940,350)
At 31 December 2020	51,300	6,010,046	6,061,346

Lease liabilities	Total £
At 1 January 2020	7,243,206
Additions to lease liabilities	130,702
Lease finance expenses	222,193
Modification to leases*	(76,093)
Payments	(1,113,360)
At 31 December 2020	6,406,648
Current lease liabilities	897,266
Non-current lease liabilities	5,509,382
	6,406,648

* Modification to lease assets and lease liabilities relates to a negotiated future early termination of a property lease.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

9 LEASES (CONTINUED)

	2020 £	2019 £
Net lease liability	345,302	294,330

(i) Amounts recognised in the consolidated statement of comprehensive income

Group

	Property £	Vehicles £	Total 2020 £	Total 2019 £
Depreciation charge for right of use assets	897,293	43,057	940,350	917,993
Lease finance expenses	220,343	1,850	222,193	228,438
Lease termination expense	–	–	–	5,126
Modification of lease terms – net impact	1,790		1,790	–
Expense relating to short-term and low value items leases	78,107	–	78,107	133,511
	1,197,533	44,907	1,242,440	1,285,068

Included within expenses relating to low value assets, which are below the de-minimis level, are amounts relating to IT equipment (printer and photocopiers etc) and property costs (fridges, microwaves etc). The total cash outflow for leases in 2020 was £1,113,360 (2019: £877,350) including for principal and interest.

10 INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £	Trademarks, licences, patented and non-patented technology £	Customer relationships £	Brands £	Under construction £	Total £
Cost						
At 1 January 2020	14,349,796	16,814,787	4,066,023	455,000	2,008,884	37,694,490
Reclassifications	–	932,621	–	–	(932,621)	–
Additions	–	3,977,761	–	–	552,709	4,530,470
Acquisitions through business combinations	756,000	–	586,002	–	–	1,342,002
At 31 December 2020	15,105,796	21,725,169	4,652,025	455,000	1,628,972	43,566,962
Amortisation						
At 1 January 2020	–	3,225,293	948,927	196,133	–	4,370,353
Charge for the year	–	3,730,080	525,602	91,000	–	4,346,682
At 31 December 2020	–	6,955,373	1,474,529	287,133	–	8,717,035
Net book value						
At 31 December 2020	15,105,796	14,769,796	3,177,496	167,867	1,628,972	34,849,927

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FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED

10 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Group	Goodwill £	Trademarks, licences, patented and non-patented technology £	Customer relationships £	Brands £	Under construction £	Total £
Cost						
At 1 January 2019	16,859,946	8,327,742	1,957,000	455,000	1,047,951	28,647,639
Reclassifications	–	524,162	–	–	(524,162)	–
Additions	–	7,627,992	–	–	1,485,095	9,113,087
Acquisitions through business combinations	2,348,748	334,891	2,109,023	–	–	4,792,662
At 31 December 2019	19,208,694	16,814,787	4,066,023	455,000	2,008,884	42,553,388
Amortisation						
At 1 January 2019	–	1,020,873	413,760	105,133	–	1,539,766
Charge for the year	–	2,204,420	535,167	91,000	–	2,830,587
At 31 December 2019	–	3,225,293	948,927	196,133	–	4,370,353
Impairment						
Impairment for the year*	4,858,898	–	–	–	–	4,858,898
Net book value						
At 31 December 2019	14,349,796	13,589,494	3,117,096	258,867	2,008,884	33,324,137

* The impairment charge in 2019 relates to the Banking CGU.

Included within additions to 'assets under construction' and 'trademarks, licenses, patented and non-patented technology' is £4,465,481 (2019: £8,306,757) for internally generated software. The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period. IAS 36 *Impairment of Assets* requires that intangible assets that are not available for use are required to be tested for impairment at least on an annual basis. The balance at reporting date relates to additions made during the reporting period, which are tested annually for impairment during the 2020 calendar year.

Goodwill

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

- Banking
- International Payments (including businesses of Hermex, Eiger, Equals Connect (previously Casco), the International Payments business of CFX and Effective)
- Travel Cash (the Travel Cash business of CFX)

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

Management estimates discount rates using pre-tax rate that reflects the current market assessment of the time value of money and the specific risks associated with the asset for which the future cash flow estimates have not been adjusted. The rate used to discount the forecast cash flows are based upon the CGU's weighted average cost of capital (WACC). The WACC for the CGUs were Banking: 11.70% (2019: 13.82%), International Payments: 10.08% (2019: 12.38%) and Travel Cash: 8.00% (2019: 9.96%).

Notes to the Consolidated Financial Statements

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10 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The Group prepared cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. For the purpose of the value in use calculation the management forecasts were extrapolated into perpetuity using growth rate of 2% (2019: 2%), representing the expected long-run rate of inflation in the UK. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. The table below summarises the changes required and the key assumptions which would result in the recoverable value of each of the CGUs being equal to the respective carrying amounts:

Group	2020	2019
Decrease (increase) in revenue		
Banking	1.71%	(6.62%)
International Payments	23.64%	31.81%
Travel Cash	12.32%	15.15%

Group	2020	2019
Decrease (increase) in discount rate (WACC)		
Banking	0.79%	(3.05%)
International Payments	20.30%	42.92%
Travel Cash	5.38%	9.99%

Based on the sensitivity analyses, the Group has determined that for Banking, International Payments and Travel Cash there are no reasonably possible changes to the key assumptions which would result in the carrying value of the CGU exceeding its recoverable value at 31 December 2020 (2019: £4,858,898 impairment in Banking CGU).

11 INVESTMENTS

Company – shares in subsidiary undertakings	2020 £	2019 £
Cost		
At 1 January	38,892,060	38,725,451
Capitalisation of loan to subsidiary	13,422,448	
Other additions	9,392,163	166,609
At 31 December	61,706,671	38,892,060
Net Book Value		
At 31 December	61,706,671	38,892,060

The additions for the year arise largely from Group restructuring activity during the year designed to yield administrative and accounting efficiencies and provide a more transparent structure for both customers and supply chains. The Group structure has been simplified, with fewer intermediate holding companies and the number of trading companies streamlined. As a result, the Group structure is now more closely aligned to the strategic vision for the Group.

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.

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CONTINUED

11 INVESTMENTS (CONTINUED)

Subsidiary undertakings

The Company holds the share capital (both directly and indirectly) of the following companies:

Subsidiary Undertaking	Country of registration or incorporation	Shares held Class	%	
FairFX PLC	England and Wales	Ordinary	100	Trading
Spectrum Payment Services Limited	England and Wales	Ordinary	100	Trading
Fair Payments Limited	England and Wales	Ordinary	100	Trading
Equals Connect Limited*	England and Wales	Ordinary	52	Trading
Equals Pay LLC	United States of America	Ordinary	100	Trading
City Forex Limited**	England and Wales	Ordinary	100	Dormant
FairFX (UK) Limited	England and Wales	Ordinary	100	Dormant
FairFX Group Limited*	England and Wales	Ordinary	100	Dormant
FairFX Wholesale Limited*	England and Wales	Ordinary	100	Dormant
FairFS Limited *	England and Wales	Ordinary	100	Dormant
Fair Foreign Exchange Ireland Limited*	Ireland	Ordinary	100	Dormant
Q Money Limited	England and Wales	Ordinary	100	Dormant
Red 88 Limited Co*	England and Wales	Ordinary	100	Dormant
Spectrum Financial Group Limited	England and Wales	Ordinary	100	Dormant
Spectrum Card Services Limited**	England and Wales	Ordinary	100	Dormant

* Share capital held indirectly

** Ceased trading during the year

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

12 ACQUISITION

On 14 October 2020, Equals acquired business information and intellectual property rights from Effective FX Limited ("Effective"), a London-based international payments business servicing both corporate and private clients for a maximum consideration of £1,575,000. This payment is contingent on future net revenue targets over a period of three years from the acquisition date and is payable in quarterly instalments, in cash. Based on current and forecast performance it has been assumed that the contingent consideration will be paid in full, each quarter.

The Group determined that the activities and assets acquired represent a business as defined under IFRS 3 Business Combinations and has accounted for the transaction accordingly. The acquisition was made in accordance with the Group's strategy to consolidate smaller, attractive market participant and has been immediately earnings enhancing. In addition, the acquisition fits with one of the Group's stated core strategies of extracting value from increasing economies of scale.

The acquisition of Effective contributed £124,949 of revenue and £87,562 of profit before tax to the Group since its acquisition.

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

	£
Contingent consideration – undiscounted maximum payments in cash, payable in quarterly instalments over three years	1,575,000
Contingent consideration discounted - fair value	1,232,000

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

12 ACQUISITION (CONTINUED)

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

	£
Intangibles – customer relationships	586,002
Deferred tax liabilities	(110,000)
Total identifiable new assets acquired	476,002

Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £110,000 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows:

	£
Consideration transferred	1,232,000
Fair value of identifiable new assets	(476,000)
Goodwill	756,000

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

13 INVENTORIES

Group	2020	2019
	£	£
Finished goods	194,091	263,971

The Group's inventories comprise of stock of cards. Included within cost of sales is a charge relating to stock of £470,261 (2019: £475,386) incurred in the ordinary course of business. There is a further charge arising in 2020 of £651,863 card write-offs relating to the cessation of activities of Wirecard AG and its subsidiaries, at that time a supplier of cards to the Group.

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Current assets				
Trade receivables	2,444,226	1,755,650	–	–
Amounts due from Group undertakings	–	–	193,169	20,138,017
Other receivables	5,862,898	3,869,073	–	–
Research and development tax credit	1,367,129	2,534,873	–	–
Prepayments	860,057	1,465,515	–	–
Accrued income	419,128	1,722,638	81,053	–
	10,953,438	11,347,749	274,222	20,138,017

Information about the Group's exposure to market risk, credit risk and impairment losses for trade and other receivables is included in note 21.

Amounts owed by group undertaking are unsecured, non-interest bearing and repayable on demand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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CONTINUED**

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Group – movement in expected credit loss ("ECL")	2020 £	2019 £
Cost		
Allowance for ECLs at 1 January	–	–
Provided during the period	261,244	–
Allowance for ECLs at 31 December	261,244	–

The ECL allowance for the Company is £nil (2019: £nil)

15 CASH AND CASH EQUIVALENTS

Group	2020 £	2019 £
Cash at bank	10,032,178	11,265,266

16 SHARE CAPITAL

Group and Company	2020 £	2019 £
Authorised, issued and fully paid-up capital		
178,602,918 (2019: 178,602,918) ordinary shares of £0.01 each	1,786,029	1,786,029

17 OTHER RESERVES

Group	Merger reserve £	Contingent consideration reserve £	Foreign currency reserve £	Total £
At 1 January 2019	8,395,521	543,172	–	8,938,693
Shares issued in year	–	(336,072)	–	(336,072)
At 31 December 2019	8,395,521	207,100	–	8,602,621
Exchange differences arising on translation of foreign operations	–	–	6,246	6,246
At 31 December 2020	8,395,521	207,100	6,246	8,608,867

Company	Merger reserve £	Contingent consideration reserve £	Total £
At 1 January 2019	2,979,438	543,172	3,522,610
Shares issued in the year	–	(336,072)	(336,072)
At 31 December 2019 and 31 December 2020	2,979,438	207,100	3,186,538

Notes to the Consolidated Financial Statements
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18 BORROWINGS

Group	2020 £	2019 £
Loan debenture	2,000,000	–

Under the Coronavirus Business Interruption Loan Scheme (CBILS) to further support working capital, the main trading subsidiary of the Company, FairFX plc, on 23 December 2020 entered into a £2,000,000 loan agreement with the Royal Bank of Scotland (RBS).

Under the terms of the loan, there is an initial twelve month capital repayment holiday and the UK Government will pay the first 12 months of interest due. This is being recognised as a Government grant, with interest grant income received being offset against the loan interest due. At the current Bank Base rate, the estimated grant income receivable by the Group for 2021 representing twelve months repayment holiday will be £52,500. The loan is for a six year period at the Bank Base rate + 2.53% and may be repaid at any point without penalty.

The loan agreement required that by 31 March 2021, Equals Group plc issued a guarantee to FairFX plc as security on the loan and that FairFX plc provided a debenture to the RBS for the value of the loan. Both of these requirements have been met.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Current liabilities				
Trade payables	4,171,625	5,470,931	137,698	214,492
Amounts owing to Group undertakings	–	–	1,215,521	1,371,544
Taxation and social security	766,003	690,517	–	–
Accruals and deferred income	7,171,592	1,785,916	463,336	374,000
	12,109,220	7,947,364	1,816,555	1,960,036

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

20 DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Derivative financial assets

Financial assets at fair value through profit or loss

Group	Fair Value 2020 £	Notional Principal 2020 £	Fair Value 2019 £	Notional Principal 2019 £
Foreign exchange forward contracts	3,019,247	137,305,683	4,560,780	102,026,342
Total financial instruments at fair value	3,019,247	137,305,683	4,560,780	102,026,342

20.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

Group	Fair Value 2020 £	Notional Principal 2020 £	Fair Value 2019 £	Notional Principal 2019 £
Foreign exchange forward contracts	3,050,157	135,643,652	4,188,394	100,830,215
Total financial instruments at fair value	3,050,157	135,643,652	4,188,394	100,830,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
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21 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, foreign exchange forward contracts and various items arising directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group. In common with other businesses, the Group is exposed to the risk that arises from its use of financial instruments. The Group does not deal in any financial instrument contracts for its own benefit. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

21.1 Principal financial instruments

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

Group	2020 £	2019 £
Financial instruments held at amortised cost		
Cash and cash equivalents	10,032,178	11,265,266
Trade and other receivables	8,726,252	9,882,234
Borrowings	(2,000,000)	–
Trade and other payables	(6,443,213)	(7,947,364)
Lease liabilities	(6,406,648)	(7,243,206)

	2020 £	2019 £
Financial instruments held at fair value through profit or loss		
Derivative financial assets – Forward foreign exchange contracts	3,019,247	4,560,780
Derivative financial liabilities – Forward foreign exchange contracts	(3,050,157)	(4,188,394)

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 3.27 since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). In 2020, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a gain of £30,907 (2019: £173,011). This was reported in administration costs in the statement of comprehensive income.

21.2 Financial risk management objectives and policies

Credit risk

As required under IFRS 9, the Group analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Group has significant short-term receivables and security collateral arrangements with bank and other financial institutions which are generally considered to be a low credit risk due to the financial strength of the counterparty.

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

2020 Group	On demand £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables - gross	8,263,603	108,657	615,237	–	8,987,497
Allowance for ECL			(261,244)	–	(261,244)
Trade and other receivables - net	8,263,603	108,657	353,993	–	8,726,253
Derivative financial assets	1,013,660	649,590	1,246,357	109,640	3,019,247

Notes to the Consolidated Financial Statements
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21 FINANCIAL INSTRUMENTS (CONTINUED)

2019 Group	On demand £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables – gross and net	9,882,234	–	-	–	9,882,234
Derivative financial assets	584,684	803,948	3,172,148	–	4,560,780

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.

2020 Group	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Borrowings	–	–	–	2,000,000	2,000,000
Trade and other payables	6,443,213	–	–	–	6,443,213
Derivative financial liabilities	1,018,895	667,269	1,250,768	113,225	3,050,157
Lease liabilities	96,469	148,629	652,167	5,509,383	6,406,648

2019 Group	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other payables	7,947,364	–	–	–	7,947,364
Derivative financial liabilities	1,235,874	573,281	2,379,239	–	4,188,394
Lease liabilities	210,927	163,828	436,873	6,431,578	7,243,206

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 and borrowings are subject to interest at a floating rate. No interest is payable on the borrowings until 2022 (see note 18).

Foreign currency risk
Foreign currency risk arises from having assets and liabilities in currencies other than sterling. The Group's balance sheet includes foreign currency balances placed with card issuers and foreign currency settlement partners. The sterling equivalent of foreign currency balances with card providers at year end was 463,582 (2019: £562,671), which is primarily made up of USD and EUR. The Group's foreign currency (FX) collateral with FX settlement partners is immaterial as collateral is primarily settled in sterling.

The Group does not hold any material foreign currency cash at bank on its balance sheet.

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FOR THE YEAR ENDED 31 DECEMBER 2020
CONTINUED

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments and fair value risk

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

31 December 2020	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets			
Cash and cash equivalents	10,032,178	–	10,032,178
Trade and other receivables	8,726,252	–	8,726,252
Derivative financial assets	–	3,019,247	3,019,247
	18,758,430	3,019,247	21,777,677
Financial liabilities			
Borrowings	2,000,000	–	2,000,000
Trade and other payables	6,443,213	–	6,443,213
Lease liabilities	6,406,648	–	6,406,648
Derivative financial liabilities	–	3,050,157	3,050,157
	14,849,861	3,050,157	17,900,018

31 December 2019	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets			
Cash and cash equivalents	11,265,266	–	11,265,266
Trade and other receivables	9,882,234	–	9,882,234
Derivative financial assets	–	4,560,780	4,560,780
	21,147,500	4,560,780	25,708,280
Financial liabilities			
Trade and other payables	7,947,364	–	7,947,364
Lease liabilities	7,243,206	–	7,243,206
Derivative financial liabilities	–	4,188,394	4,188,394
	15,190,570	4,188,394	19,378,964

All financial instruments measured at fair value are classified as level 2 financial instruments in the fair value hierarchy.

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 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 and Spectrum Payment Services Limited, both wholly owned subsidiaries, and Equals Connect Limited, a 51.8% partly owned subsidiary, are each subject to the following capital requirement under the Payment Service Regulations 2009.

- either 10% of fixed overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

Fair Payments Limited, a wholly owned subsidiary, is subject to the following capital requirement under the Electronic Money Regulations 2011:

- capital at least equal to 2% of the average outstanding electronic money of the institution, or €350,000, whichever is the higher.

The Group has complied with these requirements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

22 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 2020, there were a number of share-based payment transactions within the Group.

			Cancelled/replaced				
		At 1 January 2020	Cancelled	Granted	Exercised	Lapsed	At 31 December 2020
Date Granted	Exercise price (£)	Number	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	3,813,939	–	–	–	–	3,813,939
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	433,333	–	–	–	(44,445)	388,888
28/09/2016	0.30	433,333	–	–	–	(44,445)	388,888
28/09/2016	0.30	433,333	–	–	–	(44,445)	388,889
01/12/2016	0.27	100,000	–	–	–	–	100,000
01/12/2016	0.27	100,000	–	–	–	–	100,000
01/12/2016	0.27	100,000	–	–	–	–	100,000
18/01/2017	0.44	16,667	–	–	–	–	16,667
18/01/2017	0.44	16,667	–	–	–	–	16,667
18/01/2017	0.44	16,667	–	–	–	–	16,667
28/09/2019	1.01	416,667	(250,000)	–	–	–	166,667
28/09/2019	1.01	416,667	(250,000)	–	–	–	166,667
28/09/2019	1.01	416,667	(250,000)	–	–	–	166,667
14/10/2019	1.01	166,667	(166,667)	–	–	–	–
14/10/2019	1.01	166,667	(166,667)	–	–	–	–
14/10/2019	1.01	166,667	(166,667)	–	–	–	–
01/09/2020	0.29	–	–	250,000	–	–	250,000
01/09/2020	0.29	–	–	250,000	–	–	250,000
01/09/2020	0.29	–	–	250,000	–	–	250,000
01/09/2020	0.29	–	–	166,667	–	–	166,667
01/09/2020	0.29	–	–	166,667	–	–	166,667
01/09/2020	0.29	–	–	166,667	–	–	166,667
01/09/2020	0.29	–	–	416,667	–	–	416,667
01/09/2020	0.29	–	–	416,667	–	–	416,667
01/09/2020	0.29	–	–	416,667	–	–	416,667
01/09/2020	0.29	–	–	166,666	–	–	166,666
01/09/2020	0.29	–	–	166,666	–	–	166,666
01/09/2020	0.29	–	–	166,666	–	–	166,666
Total number of options		8,221,691	(1,250,000)	3,000,000	–	(133,335)	9,838,356

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CONTINUED**

22 SHARE OPTIONS (CONTINUED)

In 2020 executives have been granted performance-based share options shown in the table below.

			Cancelled / replaced				
Date Granted	Exercise price (£)	At 1 January 2020 Number	Cancelled Number	Granted Number	Exercised Number	Lapsed Number	At 31 December 2020 Number
Executive Directors*	5,518,000	(1,250,000)	3,000,000	–		–	7,268,000
Non-Executive Directors who resigned during the year*	882,222	–	–	–		(133,335)	748,887
Employees	1,821,469	–	–	–		–	1,821,469
	8,221,691	(1,250,000)	3,000,000	–		(133,335)	9,838,356

* See Remuneration Committee report pages 46 to 48 for a list of current Directors' share options.

The above share options issued in Equals Group PLC have been granted to both Directors and employees of the Group. At 31 December 2020, there were unexercised share options amounting to 5.51% (2019: 4.60%) of the Company's total issued shares. Of the above options 8,016,889 (2019: 6,400,222) have been granted to Directors of the Company (see Directors' remuneration report pages 46 to 48), with an additional 1,271,467 (2019: 1,271,467) having been granted to individuals who are, or have been during the year, Directors of wholly owned subsidiaries within the Group.

In September 2020, Equals Group Plc reduced the exercise price to £0.29 and increased the number of employee share options granted in September and October 2019 by 1,250,000 and 500,000 respectively. These were to maintain their incentive and were adjusted with the help of shareholder feedback. The fair value of the options at the date of the modification was determined to be £0.16. The incremental fair value of £0.09 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified. The fair value of the modified options was determined using the same models and principles as described above.

Weighted average exercise price of options

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Outstanding at the beginning of the year	0.5081	8,221,691	0.3709	6,805,023
Granted during the year	0.2900	1,750,000	0.9930	1,800,002
Lapsed during the year	(0.2975)	(133,335)	–	–
Exercised during the year	–	–	0.3499	(383,334)
Outstanding at the end of the year	0.3805	9,838,356	0.5081	8,221,691
Exercisable at the end of the year	0.3899	6,505,023	0.3707	6,788,356

The weighted average share price for the year was £0.34 (2019: £1.03).

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22 SHARE OPTIONS (CONTINUED)

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 2020	Granted during year	
Weighted average share price (£)	0.6782	0.3382	
Weighted average exercise price (£)	variable	variable	a
Expected volatility	38.0%	46.9%	b
Expected option life in years	2.3	9.7	
Risk-free rate	0.10%	0.32%	
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 to £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	nil
22/07/2014	1.16	nil
22/07/2014	1.74	nil
28/09/2016	0.30	0.13
01/12/2016	0.27	0.11
18/01/2017	0.44	0.20
26/09/2019	1.01	0.39
14/10/2019	1.01	0.31
01/09/2020	0.29	0.16

The charge expensed to the statement of comprehensive income is £444,129 (2019: £122,609). During the year the Group recognised a £535,884 decrease (2019: £521,339) in deferred tax assets in relation to unexercised share options. Of this amount £148,407 was recognised in the current year's tax credit (2019: £4,141 tax credit) and £387,477 (2019: £525,480) was taken to equity.

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CONTINUED

23 FINANCIAL COMMITMENTS

The Group has no significant financial commitments not on balance sheet at the year end.

24 RELATED PARTY TRANSACTIONS

The related parties of the Group under IFRS are the Group's key management personnel.

Key Management Personnel
Key management personnel are those responsible for controlling and directing the activities of the Group and comprise the Executive Directors, the Non-Executive Directors and members of the Executive. Key management personnel compensation paid during the year is as follows:

	2020 £	2019 £
Salaries, fees and other short-term employee benefits	2,706,833	2,182,733
Post-employment benefits	36,726	16,269
	2,743,559	2,199,002

Company
Intercompany transactions and balances with the rest of the Group:

31 December 2020	Due from 2020 £	Due to 2020 £	Due from 2019 £	Due to 2019 £
Balance sheet				
FairFX PLC	839	(757,562)	19,134,676	–
Fair Payments Limited	192,330	–	–	–
Spectrum Payment Services Limited	–	(457,959)	–	–
Q Money Limited	–	–	540,729	(9,688)
City Forex Limited	–	–	455,224	–
FairFX (UK) Limited	–	–	–	(471,555)
Spectrum Financial Services Group	–	–	–	(899,989)
	193,169	(1,215,521)	20,130,629	(1,381,232)

	Payable to 2020 £	Payable to 2019 £
Income statement		
FairFX PLC	1,122,497	993,773

25 ULTIMATE CONTROLLING PARTY

The Directors consider Equals Group PLC to be the ultimate controlling party of the Group.

26 POST BALANCE SHEET EVENTS

On 1 January 2021, the UK Brexit transition period ended and the UK was therefore no longer a member of the European Union (EU) single market and customs union. As a consequence of this and with no separate agreement on the provision of financial services post this period, the Group lost its regulatory passporting rights to carry payment services in the EU under the Payment Services Directive. The Group is considering alternative access arrangements to the EU.

5 year trading history

Additional unaudited information

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Turnover	798	1,122	2,369	2,887	3,493
Revenue	10.1	15.5	26.1	30.9	29.0
Gross Profit	-1.4	11.9	17.7	20.6	18.3
PAT	-1.4	0.4	2.7	-5.4	-6.9
Cash	8.5	17.8	7.8	11.3	10.0

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