

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS DEFINED IN ARTICLE 7 OF THE MARKET ABUSE REGULATION NO. 596/2014 ("MAR")

14 September 2021

Equals Group plc
(‘Equals’ or the ‘Group’)

Interim Results

*Strong B2B growth underpins strategic move from both retail and travel FX.
Adjusted EBITDA significantly ahead of expectations and operationally cash generative.*

Equals (AIM: EQLS), the fintech payments group focused on the SME marketplace, announces its interim results for the six months ended 30 June 2021 (the ‘period’ or ‘H1-2021’).

H1-2021 Financial Highlights

£millions	H1-2021	H1-2020	H2-2020
Underlying transaction values	2,308	1,560	1,933
- B2B	1,996	1,209	1,633
- B2C	312	351	299
Revenue	16.9	13.8	15.2
- B2B	11.6	9.2	11.0
- B2C	5.3	4.6	4.2
Gross profit	10.2	8.7	9.6
Adjusted EBITDA*	1.6	0.7	0.5
Operational cash in/(out) flows	0.8	(2.8)	0.4
Cash at bank	10.1	7.9	10.0

Totals may not sum due to rounding. Percentages are calculated on underlying figures before rounding. Where costs cannot be accurately attributed to each segment, they have been allocated on the basis of revenue.

- Group revenue increased by 23% to £16.9 million (H1-2020: £13.8 million)
- B2B revenue increased YoY by 25% to £11.6 million as the Group continued its focus on SMEs
- B2B in Q3-2021 represents over 80% of total revenue up from 67% in H1-2020
- Gross profit increased by 17% to 10.2 million, broadly reflecting the YoY increase in revenue
- Contribution increased by 24% to £9.8 million (H1-2020: £7.9 million), and contribution margin consistent at 58%
- Gross operating expenditure lower by 14% on H2-2020 through strategic tight control of costs
- Adjusted EBITDA* increased by 128% to £1.6 million (H1-2020: £0.7 million)
- Non-Adjusted EBITDA of £0.8 million with £0.6 million of exceptional costs (H1-2020: £0.5 million loss with £1.0 million of exceptional costs).

Post period-end trading update ('Q3-2021' 1 July 2021 to 10 September 2021)

- Revenues of £9.2 million up 58% from £5.8 million on same period last year
- Q3-2021 - already a record quarter with 14 business days remaining
- B2B revenues continue to drive growth - now greater than 80% of overall book
- Equals Solutions, the new multicurrency product aimed at larger businesses, contributed £1.2 million of revenue, or 13% of total, in Q3-2021 to date
- £12.3 million of Cash at bank and in hand with net liquidity of £10.2 million as at 10 September 2021.

Commenting on the Interim Results, Ian Strafford-Taylor, CEO of Equals Group plc, said: “The planned pivoting away from retail and travel towards B2B has paid-off spectacularly in H1-2021. This trading performance and momentum has sustained since the period end and is being supported by fast growing revenues amounting to £9.2 million in the period from 1 July to 10 September, making this a record quarter with 14 business days left to run, with numerous new first-rate customers, and strong take-up of our enlarged product suite. Whilst, like other businesses we have seen market-forces led cost pressures, particularly in staff and IT, we have contained these robustly, sought further efficiencies and have grown revenue at a much faster pace.

“Equals finds itself with a unique position in the FinTech sector as, not only are we generating operational cash, but we remain very well-funded for both re-investment in product and marketing to drive further profitable revenue growth.”

Analyst meeting

A conference call for analysts hosted by Ian Strafford-Taylor (CEO) and Richard Cooper (CFO) will be held today at 0930am. A copy of the Interim Results presentation is available at the Group’s website: <http://www.equalsplc.com>.

For retail investors, an audio webcast of the conference call with analysts will be available after 12pm today: <https://webcasting.buchanan.uk.com/broadcast/6114eb77c97de6636c2d8e9d>

Notes

* Adjusted EBITDA is defined as operating profit before: depreciation, amortisation, impairment charges and share option charges and items of an exceptional nature. EBITDA is defined as operating profit before depreciation and amortisation.

- Ends -

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Chief Executive Officer's Report

The results for H1-2021 clearly demonstrate the success of the pivot of the Group from a B2C travel money business to a B2B focused operation. Recent years have seen significant investments into both the technology platforms and direct connectivity to payments networks. These initiatives form the essential building-blocks to move the Group from being product-led towards being more platform-led, with aim of providing simple-to-use solutions to the corporate sector. As evidenced by this set of results, the pay-back from these investments is now coming through and, encouragingly, is even more visible in the post period trading.

The investments made have allowed the Group to develop the capability for all customers to have a multi-currency account in their name defined by a unique IBAN; this being an internationally recognised standard to define an account. This capability underpins the Equals Money proposition for a range of products on one platform with simplicity of movement of money between products, targeted at the SME sector. In addition, the same infrastructure drives the Equals Solutions product which is aimed at larger corporates with significant international flows and high transaction volumes. Equals Solutions comprises a multi-currency account for collections and payments connected to SWIFT, International Payments platforms and UK domestic networks providing FX and payment capabilities combined with multiple levels approval protocols, all via one platform and login. Equals Solutions came on stream in June 2021 and is now contributing strongly in the third quarter, as can be seen in the post period end figures.

The 'own-name' multi-currency IBAN capability will drive sustainable and recurring platform-related revenues and growth through both Equals Money and Equals Solutions and thereby provide further growth to the individual product lines of International Payments, Cards and Banking services. The revenues from these platforms are both transactional and fee-based, thereby improving the earnings mix. Continual improvements to the functionality of the overall payment platform and direct connectivity to additional payments networks furthers the capabilities of the platform. Concurrently, more straight-through-processing ('STP') capabilities are being added which increases efficiency and processing capacity. The Group will also be enhancing the alignment of its service levels to its pricing and revenue generation and moving more transactions towards customer 'self-serve' where appropriate, further enhancing capacity and thereby operational gearing.

Operational improvements made by the Group in H1-2021 include:

- Significantly enhanced International Payments platform for self-serve customers 'Pay Platform'
- New internal dealing platform for International Payments – 'Exchange Platform'
- Continued roll-out of HubSpot CRM system aided by 'Sales Enablement' team
- New Equals Money website to better convert inbound B2B traffic
- STP for onboarding for both B2B and B2C customers via TruNarrative platform
- Joining the 'Confirmation of Payee' scheme for UK Payments
- Launch of 'Linked Cards' for FairFX B2C cards platform
- Implementation of automated reconciliations utilising Kani-payments platform, resulting in operational efficiencies and reducing credit risk
- Further upgrades to our compliance capabilities and personnel, enabling faster onboarding of new customers

Financial Overview for H1-2021

A summary of the Group's underlying transaction values is shown below:

Underlying transaction values

£millions	International Payments	Corporate Expenses	Cash & retail cards	Banking Services	Total
B2B					
H1-2021	1,355	149	2	490	1,996
H1-2020	818	93	12	286	1,209
% Change on year	66%	60%	(83)%	71%	65%
B2C					
H1-2021	228	-	4	80	312
H1-2020	237	-	36	78	351
% change on year	(4)%	-	(89)%	3%	(11)%
TOTALS					
H1-2021	1,583	149	6	570	2,308
H1-2020	1,055	93	48	364	1,560
% change on year	50%	60%	(88)%	57%	48%

Overall transaction values were up 48% on H1-2020, driven by a 65% increase in the B2B sector as more customers were on boarded and more products were offered. Unsurprisingly, B2C volumes remained subdued due to travel impediments caused by the Covid-19 pandemic.

Revenues

£000s	International Payments	Corporate Expenses	Cash & retail cards	Banking Services	Rebates and other income	Total
H1-2021						
B2B	7,849	2,132	33	1,493	72	11,579
B2C	2,275	-	1,409	1,366	276	5,326
H1-2021	10,124	2,132	1,442	2,859	348	16,905
B2B mix	78%	100%	2%	52%	21%	*68%
H1-2020						
B2B	6,242	1,310	230	1,282	177	9,241
B2C	1,991	-	1,229	1,222	89	4,531
H1-2020	8,233	1,310	1,459	2,504	266	13,772
B2B mix	76%	100%	16%	51%	67%	67%
% change on year						
B2B	26%	63%	(86)%	16%	(59)%	25%
B2C	14%	-	15%	12%	210%	18%
Aggregate	23%	63%	(1)%	14%	31%	23%

*Excluding fee sweeps in retail cards, underlying B2B:B2C revenue mix was 72%:28%

H1-2021 showed strong B2B growth in transaction volumes and revenues across all product lines of International Payments, the Corporate Spend platform and Banking Services. This growth has accelerated in July, August and September 2021 as the benefits of the own-name IBAN capabilities are feeding through

to Equals Solutions. In contrast, whilst B2C volumes and revenues contracted somewhat, this was against the background of lockdown conditions where Q1-2020 was not affected in the same way.

For H1-2021 in more detail:

Group turnover - representing the quantum of underlying transactions through its platforms, grew by 48% overall and by 65% in the B2B segment.

Group revenues - £16.9 million up 23% (H1-2020: £13.8 million) and within that, the B2B segment grew by 25%. As Covid-19 travel impediments begin to ease, there remains considerable upside, for example in H1-2019, over £6.8 million revenue was earned at an aggregate margin of just over 50%.

When expressed as revenue over turnover, the Group's margin averaged 73 basis points ('bps') against 88 bps in H1-2020. The Board is comfortable with this change, as it had already anticipated the product shift would increase turnover but at a lower margin. This was more evidenced in Banking Services where the aggregate return reduced to 50 bps from 69 bps in H1-2020.

The Equals Spend B2B expense platform, whose customers are corporates, continues to recover strongly from the impact of the pandemic with revenues 63% higher than H1-2020 and 21% higher than H2-2020.

Gross profit - at £10.2 million was up 17% (H1-2020: £8.7 million).

Contribution - (gross profits less marketing expenditure) rose by 24% to £9.8 million (H1-2020: £7.9 million).

Operating expenditure above adjusted EBITDA was £8.2 million, 5% lower than H2-2020 (H2-2020: £8.7 million) reflecting the continued cost reduction programme, but 13% higher than the 'furlough-subsidised' H1-2020 (H1-2020: £7.3 million).

Current Developments

The trading period post H1-2021 to-date has shown further acceleration in revenues with B2B again the driving force and all product lines moving forward strongly. Equals Solutions, which produced £0.3 million of revenues in H1-2021 has contributed £1.2 million in the post H1-2021 period and is primed to grow further as the Group has a strong customer pipeline.

H2-2021 is anticipated to continue in the same strategic direction as the first half with continued investments, (albeit at much lower levels than the peak in 2019), in the technology platform and connectivity to payments networks focussed on the B2B customer. This will be augmented by increased resources applied to sales and marketing to drive new customers on to the platform and products.

Key functionality and platform enhancements are planned for both Equals Money and Equals Solutions as well as the underlying products of Payments, Cards and Banking Services. Operational improvements towards full STP will also be delivered, increasing efficiency, and creating more capacity.

Future plans and opportunities

The strategic direction of the Group remains clearly focussed on the B2B customer segment with Equals Money being targeted at the SME base and Equals Solutions at the larger corporate opportunities. The growth potential, now that we have assembled the core capabilities of own-name IBAN and bank-grade connectivity and clearance, is extremely strong due to the complexity and time required to replicate our capabilities.

The Group will continue to look for growth opportunities and can do so with a strong balance sheet and cash position. The Group will examine overseas expansion beyond its current predominantly UK-centric customer base and will also consider further acquisition opportunities.

Board composition, senior executive changes and employees

On 9 April 2021 the Board was strengthened by the appointment of Christopher Bones as a Non-Executive Director of the Company and new Chair of the Remuneration Committee. Three senior members of the executive team left the Group during the period and I thank them for their time whilst at Equals. The Group took on a leading Head of Compliance to complement the already strong operational team, and the CFO, Richard Cooper, recruited a new deputy to enable him to work even more closely with myself on corporate opportunities.

The Group's employees continue to be its greatest strength. The loyalty, commitment, and hard work the Group has seen in 2020 and now in 2021 has been tremendous and deserves to be acknowledged. I would like to take this opportunity to personally thank every colleague for everything they have done for the Company. We are proud to train and promote from within as well as seeking fresh talent from elsewhere.

Whilst the Group continues to seek efficiencies and has a strong cost-control culture, the Board intends to invest these gains in further capacity for growth rather than reductions in staff numbers. This in turn will benefit investors as Equals will have strong operational gearing as it grows, with its cost base increasing at a lower rate than transactions and revenues.

The labour market in the UK, particularly in the fintech space, is extremely competitive and the Group is actively implementing enhanced employee retention measures including share ownership and LTIP schemes.

Equals wholeheartedly embraces ESG initiatives and takes Equality, Diversity and Inclusivity (EDI) extremely seriously. Our EDI strategy, which covers not only employees but also customers, includes an internal EDI network populated with elected representatives and regular employee surveys and this is a key objective for all Executive Committee members and forms part of their appraisal.

Outlook

Equals has a strong outlook as a consequence of the investments it has made in preceding years to create a payments platform comprising International and Domestic Payments, Card Payments and Banking Services underpinned by exceptional technology and direct connections to multiple payment networks and we look forward to the future with confidence.

Ian Trafford-Taylor
Chief Executive Officer
14 September 2021

Chief Financial Officer's Report

The Group continues to present extracts from the primary statements in an alternative format and explain the major movements to the prior periods or year along with issues of accounting impact and judgement. The periods most relevant to the primary statements have been presented. Full period disclosures are made in the Consolidated Interim Financial Statements. The report is in three sections:

A – Income and Expenditure Account

B – Balance Sheet

C – Cash Flow

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

Totals may not sum due to rounding. Percentages are calculating on underlying figures before rounding. Where costs cannot be accurately attributed to each segment, they have been allocated on the basis of revenue.

A: Income and Expenditure account and notes

The table presented here shows both the underlying expenditure and that which is reported in the Income and Expenditure account. For example, staff costs are shown both gross and net of software capitalised.

Table 1: Income and Expenditure account

£000's	H1-2021	H1-2020	H2-2020	FY-2020
Revenue	16,905	13,772	15,188	28,960
Less: Variable costs	(6,685)	(5,034)	(5,636)	(10,670)
Gross profit	10,220	8,738	9,552	18,290
Marketing costs	(392)	(799)	(407)	(1,206)
Contribution	9,828	7,939	9,145	17,084
Other operating costs				
<i>Staff costs incurred</i>	(7,943)	(8,366)	(9,159)	(17,525)
Furlough credit	34	324	222	546
Net staff costs incurred	(7,909)	(8,042)	(8,937)	(16,979)
Separately reported items (table 4)	613	343	990	1,333
Acquisition costs	-	-	83	83
Capitalised internal software	1,191	2,241	1,761	4,002
Net staff costs	(6,105)	(5,458)	(6,103)	(11,561)
<i>Property & office costs incurred</i>	(1,076)	(997)	(1,104)	(2,101)
Capitalised internal software	-	45	-	45
IFRS16 adjustment	586	515	548	1,063
Net property & office costs	(490)	(437)	(556)	(993)
<i>IT & telephone costs incurred</i>	(1,022)	(759)	(959)	(1,718)
Capitalised internal software	148	210	209	419
Net IT & telephone costs	(874)	(549)	(750)	(1,299)
<i>Professional fees incurred</i>	(712)	(743)	(949)	(1,692)
Acquisition costs	-	-	48	48
Separately reported items	3	102	114	216
Net professional fees	(709)	(641)	(788)	(1,429)
<i>Travel</i>	(50)	(157)	(76)	(233)
<i>Bad debt provisions</i>	-	-	(357)	(357)
<i>Other costs</i>	(1)	(25)	(23)	(48)
Net other operating costs	(8,229)	(7,267)	(8,653)	(15,920)
Adjusted EBITDA*	1,599	672	492	1,164
<i>Separately reported items:</i>				
Senior management restructuring	(616)	-	-	-
Covid-19 related costs	-	(445)	(1,119)	(1,564)
Wirecard related costs	-	(530)	(540)	(1,070)
Separately reported items	(616)	(975)	(1,659)	(2,634)
Acquisition costs	-	-	(130)	(130)
Share option charges	(217)	(195)	(249)	(444)
EBITDA	766	(498)	(1,546)	(2,044)

* Adjusted EBITDA and EBITDA

Adjusted EBITDA is defined as operating profit before: depreciation, amortisation, impairment charges, share option charges and items of an exceptional nature. EBITDA is defined as operating profit before depreciation and amortisation.

Revenue

Revenues have already been analysed and explained in the CEO report and it is not proposed to repeat the analysis here. It is however worth noting some split within international payments:

Table 2: International Payments – spot and forward transaction analysis

£millions		Spot	Forward	Total
H1-2021	Transaction values	1,174	405	1,579
	% mix	74%	26%	
	Revenue	6.0	4.1	10.1
	% mix	59%	41%	
H1-2020	Transaction values	766	297	1,063
	% mix	72%	28%	
	Revenue	5.7	2.6	8.3
	% mix	69%	31%	
% change	Transaction values	53%	36%	49%
	Revenue	4%	58%	20%

The rise in both the percentage of the total revenue from forward FX deals and the absolute rise in such revenue is attributable to a commercial drive for more B2B business and the high-quality of our dealing offer for SMEs.

Gross costs

Costs (including capital expenditure, exceptional items and before any furlough subsidies, but excluding marketing costs), were £10.8 million, 2% lower than H1-2020 (H1-2020: £11.0 million) and 14% lower than H2-2020 (H2-2020: £12.6 million).

Table 3: Gross costs

£000's	H1-2021	H1-2020	H2-2020	FY-2020
Staff	7,943	8,366	9,159	17,525
Property	1,076	997	1,104	2,101
IT & telephone	1,022	759	959	1,718
Professional fees	712	743	949	1,692
Other costs	51	182	456	638
	10,804	11,047	12,627	23,674

Staff costs

Gross staff costs were £7.9 million in H1-2021 against £8.4 million in H1-2020, and £9.2 million in H2-2020. These costs were offset by:

- Capitalised software: £1.2 million (H1-2020: £2.2 million, H2-2020: £1.8 million)
- Exceptional costs: £0.6 million (H1-2020: 0.3 million, H2-2020: £1.0 million)
- Acquisition costs: £nil (H1-2020: £nil, H2-2020: £0.1 million)

Costs in H1-2020 included salary cost savings after employees and directors agreed to temporary salary cuts at the height of the pandemic. The reduction in costs in H1-2021 is largely a result of controlled headcount reductions in 2020 continuing into 2021, as development staff cost spend decreased and more product was rolled-out.

Amounts capitalised have significantly reduced to £1.2 million representing 15% of gross staff costs, (H1-2020: 27%) as the Group investment strategy matures and moves to a focus on new and enhanced product design.

Headcount numbers have fallen from 314 as at 30 June 2020 to 258 as at 30 June 2021 and 248 at 31 August 2021. It is anticipated that these numbers will rise by around 5% within H2-2021.

Professional fees

Professional fees have remained broadly consistent on H1-2020 at £0.7 million (H1-2020: £0.7 million), and include considerable investment in regulatory compliance initiatives to provide additional control assurance to customers and the Group.

Property and office costs

The Group has property commitments in London for both offices and retail outlets. The Group has reduced its London office space in H1-2021 with a net gain of £16k on termination of lease contracts, and is reviewing its remaining commitments

Separately reported items

Separately reported items are large, non-recurring items identified by management.

Table 4: Separately reported items

£000's	H1-2021	H1-2020	H2-2020	FY-2020
Senior management restructuring	616	-	-	-
COVID-19	-	445	1,119	1,564
Wirecard	-	-	418	418
Cash based costs	616	445	1,537	1,982
Provisions and write-offs				
Wirecard card stocks written off	-	530	122	652
	616	975	1,659	2,634

The Group structure has been flattened and this led to a number of senior staff departing the business. The settlement costs, notice periods and associated legal expenses are reflected above. There were no other separately reported items in the period.

Adjusted EBITDA

Adjusted EBITDA for the period was a profit of £1.6 million (H1-2020: £0.7 million), an increase of £0.9 million arising from the increase in gross profit for the period.

Table 5a: Reconciliation of adjusted EBITDA to loss before tax H1-2021

£000's	Adjusted EBITDA	Separately reported items	Share options	Result before tax
Revenue	16,905	-	-	16,905
Direct costs	(6,685)	-	-	(6,685)
Gross profits	10,220	-	-	10,220
Marketing	(392)	-	-	(392)
Contribution	9,828	-	-	9,828
Staff costs	(6,105)	(613)	(217)	(6,935)
Property	(490)	-	-	(490)
IT and Telephone	(874)	-	-	(874)
Professional fees	(709)	(3)	-	(712)
Travel and subsidence	(50)	-	-	(50)
Other expenditure	(1)	-	-	(1)
	1,599	(616)	(217)	766
FX differences				(52)
Depreciation				(733)
Amortisation				(2,135)
Finance cost				(93)
Loss before taxation				(2,247)

Table 5b: Reconciliation of adjusted EBITDA to loss before tax H1-2020

£000's	Adjusted EBITDA	Separately reported items	Share options	Result before tax
Revenue	13,772	-	-	13,772
Direct costs	(5,034)	-	-	(5,034)
Gross profits	8,738	-	-	8,738
Marketing	(799)	-	-	(799)
Contribution	7,939	-	-	7,939
Staff costs	(5,458)	(343)	(195)	(5,996)
Property	(437)	-	-	(437)
IT and Telephone	(549)	-	-	(549)
Professional fees	(641)	(102)	-	(743)
Travel and subsidence	(157)	-	-	(157)
Bad debt provisions	-	(530)	-	(530)
Other expenditure	(25)	-	-	(25)
	672	(975)	(195)	(498)
FX differences				(13)
Depreciation				(668)
Amortisation				(2,058)
Finance cost				(110)
Loss before taxation				(3,347)

Impairment review

Given the improvement in results during H1-2021 and in the wider economic environment management are not envisaging any impairment under IAS 36 *Impairment of assets* for the full year based on the current balance sheet and cash generating units. A full review will be carried out for the full year.

Amortisation and depreciation

Amortisation and depreciation for the period remains relatively consistent at £2.1 million (H1-2020: £2.1 million) and £0.7 million (H1-2020: £0.7 million) respectively.

Operating result

The Group made a loss before taxation of £2.2 million for the period, compared to a loss of £9.0 million for the whole of 2020.

Taxation, incorporating R&D credits

The Group has recognised a net tax credit of £1.1 million (H1-2020: £0.2 million) of which £0.3 million (H1-2020: £0.7 million) relates to an R&D tax credit for the six months to 30 June 2021.

R&D project spend eligible for R&D tax relief decreased during the period, however this is not the only component behind the estimated R&D tax credit for the period, and, is not the only factor that will eventually drive the total claim for the year.

All valid R&D expenditure gives rise to tax advantages, either in the form of a tax credit receivable, or as an enhanced allowable expense deduction increasing the taxable loss for the year. Legislation places a cap on the amount a company can claim as a repayment and therefore, as the Group results improve, the amount it can claim in the form of a repayment decreases. The £0.3 million credit recognised is an estimation of the maximum amount the Group can claim in the form of a cash repayment, based on the results for the period.

B: Balance sheet

At 30 June 2021, the Group considers some of the key items on the balance sheet to be:

- £10.1 million of cash at bank (30 June 2020: £ 7.9 million)
- £2.0 million CBIL loan (30 June 2020: £nil)
- £1.5 million of deferred consideration payable until October 2023 period, (30 June 2020: £0.7 million). The £1.5 million referred to above is net of discounting accounted for under IFRS 3.
- £1.7 million of accrued R&D credits of which £1.4 million was received in August 2021
- Within the working capital was £4.0 million of funds with regulated liquidity providers and card programs (outside of banks) (30 June 2020: £3.4 million).

Table 6: Balance sheet

£000's	As at 30 Jun 2021	As at 31 Dec 2020 <i>Restated</i> ¹	As at 30 Jun 2020 <i>Restated</i> [#]
Gross Cash resources	10,082	10,032	7,908
Balances with liquidity providers	2,553	2,776	1,955
Gross liquidity position	12,635	12,808	9,863
Customer balances not subject to safeguarding ^{Note 2}	(4,755)	(4,059)	(1,908)
Net liquidity position ^{Note 3}	7,880	8,749	7,955
Other current assets and liabilities*			
Card stock and other inventories	217	194	199
Accrued income ^{Note 3}	447	419	1,914
Trade debtors, including profits on forward contracts	3,090	2,443	811
Balances pre-funded at card providers	1,435	2,078	1,431
Other debtors	495	168	1,336
Prepayments	1,076	860	1,079
Accrued R&D credit ^{Note 4}	1,687	1,367	3,064
	8,447	7,529	9,834
Retention and deferred consideration	(1,485)	(1,662)	(703)
Accrued affiliate commissions	(1,303)	(343)	(271)
Accrued expenses	(2,422)	(1,928)	(1,499)
Trade and other creditors	(2,107)	(2,510)	(1,143)
PAYE and VAT ^{Note 5}	(629)	(766)	(2,017)
Other creditors	(1)	-	(1)
	(7,947)	(7,209)	(5,634)
Borrowings	(2,000)	(2,000)	-
Cash resources, less other current assets and liabilities	6,380	7,069	12,155
Fixed Assets (other than "right to use")	35,519	36,496	35,700
Net lease liabilities (Right to use assets less lease liabilities)	(364)	(346)	(292)
Net derivative financial assets	(31)	(30)	324
Net deferred tax	230	(547)	(1,758)
Shareholders' funds	41,734	42,642	46,129

* Other current assets and liabilities excluding net derivative financial assets and current net lease liabilities

- 1) *Certain balance sheet lines have been restated to show separately balances with card providers and to better reflect where there is both a legal right and an intention to settle net.*
- 2) *Customer balances not defined as client monies subject to regulated safeguarding requirements, which are held off balance sheet. These balances represent the margins called by the Group from customers for forward FX trading. The Group is subject to margin positions imposed on it by liquidity providers, including banks that act in that capacity. Where customer margins are lower than margins*

requested by liquidity providers, this infers that the Group has taken a risk-assessment of the client's credit worthiness and not called the customer for margin but has been called itself. Where margins imposed by liquidity providers is lower than margins called from customers, this infers that Group's customers have off-setting currency positions in the eyes of the liquidity providers.

- 3) The net liquidity position is the internal measure of available resource, but subject to certain balances being held for regulatory capital reasons. At 30 June 2021 these balances were £352k (30 June 2020: £352k).*
- 4) Accrued income at 30 June 2020 included £1.0 million due from Wirecard. Following its demise, the Group became a direct issuer of its own cards rather than relying solely on third party issuers, with a corresponding decrease in accrued income due from such third parties.*
- 5) Accrued R&D credit includes £1.4 million accrued in respect of 2020 and prior years. This was received in August 2021.*
- 6) To manage the Group's working capital through the early stages of the Covid-19 pandemic, the Group availed itself of a postponement of PAYE liabilities to HMRC, pending the receipt from HMRC of the R&D tax credit. At 30 June 2021 the outstanding balance of historic PAYE was insignificant.*

Internally capitalised software

The Group continues its investment in product development and has capitalised a further £1.3 million, including £1.2 million staff costs.

Other balance sheet items

The Group has accrued a further £0.3 million for R&D credits. £1.4 million in relation to previous periods was outstanding as at 30 June 2021 but was received in August 2021.

Non-Controlling Interest

The loss for the period includes £90k profit in respect of the Non-Controlling Interest of the Equals Connect business acquired in 2019.

Off balance sheet items: client monies

Client monies held by the Group, but not included on the balance sheet, represent monies held on behalf of clients, and where the risks and rewards of ownership are not transferred to the Group, and the Group does not have control over how those monies are used. Such accounts are subject to stringent regulatory controls.

As at 30 June the Group held client monies of £170.4 million in off balance sheet bank accounts (H1-2020: £96.1 million). The increase year-on-year arises from the acquisition of new clients, and a further general increase consistent with the uptake in B2B revenue in H1-2021.

C. Cash flow

Table 7 Cash flow

£000's	<u>H1-2021</u>	<u>H1-2020</u>	<u>H2-2020</u>	<u>FY-2020</u>
Adjusted EBITDA (table 1)	1,599	672	492	1,164
Add: R&D tax receipts relating to qualifying expenditure in prior periods		-	2,539	2,539
Less:				
- IFRS 16 excess of cash cost over accounting cost	(586)	(514)	(549)	(1,063)
- Acquisition costs	-	-	(130)	(130)
- Cash incurred separately reported items	(616)	(445)	(1,537)	(1,982)
- Internally capitalised software	(1,340)	(2,496)	(1,969)	(4,465)
- Purchase of other intangibles	(27)	(50)	(15)	(65)
- Purchase of property, plant, equipment	(40)	(119)	(41)	(160)
(Less) / add: Working capital movement*	1,817	103	1,651	1,754
Net cashflow before acquisitions, earn-outs and external fundings	807	(2,849)	441	(2,408)
Cash for acquisitions/ earn-outs	(803)	(508)	(317)	(825)
External funding				
CBIL loan from UK Government	-	-	2,000	2,000
Cash raised from issue of equity	46	-	-	-
NET CASH FLOWS	50	(3,357)	2,124	(1,233)
Balance at start of period	10,032	11,265	7,908	11,265
Balance at end of period	10,082	7,908	10,032	10,032

Richard Cooper

Chief Financial Officer

14 September 2021

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

		Period end 30 June 2021 Unaudited £000	Period end 30 June 2020 Unaudited £000	Year end 31 December 2020 Audited £000
Gross value of currency transactions sold* ¹		1,738,215	1,196,192	2,671,245
Gross value of banking deposit transactions		570,343	363,546	821,426
Revenue on currency transactions		14,046	11,268	23,850
Banking revenue		2,859	2,504	5,110
Revenue	2	<u>16,905</u>	<u>13,772</u>	<u>28,960</u>
Direct costs	2	<u>(6,685)</u>	<u>(5,033)</u>	<u>(10,671)</u>
Gross profit		10,220	8,739	18,289
Administrative expenses	3	(10,239)	(9,917)	(22,467)
Amortisation charge		(2,135)	(2,058)	(4,347)
Credit impairment charge	4	-	-	(261)
Acquisition expenses		-	-	(130)
Total operating expenses		<u>(12,374)</u>	<u>(11,975)</u>	<u>(26,944)</u>
Operating loss		(2,154)	(3,236)	(8,655)
Finance costs	8	<u>(93)</u>	<u>(110)</u>	<u>(391)</u>
Loss before tax		(2,247)	(3,346)	(9,046)
Tax credit	5	<u>1,075</u>	<u>177</u>	<u>2,109</u>
Loss after tax		<u>(1,172)</u>	<u>(3,169)</u>	<u>(6,937)</u>
Memo: Loss is attributable to:				
Owners of Equals Group Plc		(1,251)	(3,086)	(6,919)
Non-controlling interest		79	(83)	(18)
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		-	-	6
		<u>(1,172)</u>	<u>(3,169)</u>	<u>(6,931)</u>
Loss per share				
Basic		(70)p	(1.73)p	(3.87)p
Diluted		<u>(70)p</u>	<u>(1.69)p</u>	<u>(3.87)p</u>

*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.

All income and expenses arise from continuing operations.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

		As at 30 June 2021 Unaudited £000	As at 30 June 2020 Restated* £000	As at 31 December 2020 Restated* £000
	Note			
ASSETS				
Non-current assets				
Property, plant and equipment		1,439	1,887	1,646
Right of use assets		5,247	6,487	6,061
Intangible assets and goodwill		34,082	33,813	34,850
Deferred tax assets		4,057	2,095	3,193
		<u>44,825</u>	<u>44,282</u>	<u>45,750</u>
Current assets				
Inventories		217	199	194
Trade and other receivables		10,783	11,699	10,112
Derivative financial assets		3,019	2,476	3,019
Cash and cash equivalents		10,082	7,909	10,032
		<u>24,101</u>	<u>22,283</u>	<u>23,357</u>
TOTAL ASSETS		<u><u>68,926</u></u>	<u><u>66,565</u></u>	<u><u>69,107</u></u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Share capital	6	1,787	1,786	1,786
Share premium	6	53,049	53,003	53,003
Share based payment reserve		1,619	1,126	1,402
Other reserves		8,609	8,603	8,609
Retained deficit		(23,510)	(18,425)	(22,259)
Equity attributable to owners of Equals Group Plc		<u>41,554</u>	<u>46,093</u>	<u>42,541</u>
Non-controlling interest		180	36	101
		<u>41,734</u>	<u>46,129</u>	<u>42,642</u>
Non-current liabilities				
Borrowings	7	2,000	-	2,000
Lease liabilities		5,164	6,120	5,509
Deferred tax liabilities		3,827	3,854	3,740
		<u>10,991</u>	<u>9,974</u>	<u>11,249</u>
Current liabilities				
Trade and other payables		12,704	7,652	11,269
Lease liabilities		447	659	897
Derivative financial liabilities		3,050	2,151	3,050
		<u>16,201</u>	<u>10,462</u>	<u>15,216</u>
TOTAL EQUITY AND LIABILITIES		<u><u>68,926</u></u>	<u><u>66,565</u></u>	<u><u>69,107</u></u>

* Certain balance sheet lines have been restated to better reflect where there is both a legal right and an intention to settle net.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

Group	Share capital £000	Share premium £000	Share based payment £000	Retained deficit £000	Other reserves £000	Total attributable to owners of Equals Group Plc £000	Non-controlling interest £000	Total £000
At 1 January 2020	1,786	53,003	1,345	(15,339)	8,603	49,398	119	49,517
(Loss) for the period and total comprehensive loss	-	-	-	(3,086)	-	(3,086)	(83)	(3,169)
Other items								
Share based payment charge	-	-	195	-	-	195	-	195
Movement in deferred tax on share-based payment charge	-	-	(414)	-	-	(414)	-	(414)
At 30 June 2020	1,786	53,003	1,126	(18,425)	8,603	46,093	36	46,129
(Loss) / income for the period	-	-	-	(3,834)	-	(3,834)	65	(3,769)
Other comprehensive income: <i>Items that will not be reclassified subsequently to profit or loss:</i>								
Exchange differences arising on translation of foreign operations	-	-	-	-	6	6	-	6
Other items								
Share based payment charge	-	-	249	-	-	249	-	249
Movement in deferred tax on share-based payment charge	-	-	27	-	-	27	-	27
At 31 December 2020	1,786	53,003	1,402	(22,259)	8,609	42,541	101	42,642
(Loss) / income for the period and total comprehensive (loss) / income	-	-	-	(1,251)	-	(1,251)	79	(1,172)
Other items								
Share based payment charge	-	-	217	-	-	217	-	217
Movement in deferred tax on share-based payment charge	-	-	-	-	-	-	-	-
New shares issued	1	46	-	-	-	47	-	47
At 30 June 2021	1,787	53,049	1,619	(23,510)	8,609	41,554	180	41,734

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

	Six month period ended 30 June 2021 Unaudited £000	Six month period ended 30 June 2020 Unaudited £000	Six month period ended 31 December 2020 Audited £000
Operating Activities			
Loss for the period	(2,154)	(3,236)	(5,419)
<i>Adjustments for:</i>			
Depreciation	733	668	759
Amortisation	2,135	2,058	2,289
Impairment	-	-	261
Share based payment charge	217	195	249
Decrease / (increase) in trade and other receivables	(351)	382	(203)
Decrease / (increase) in net derivative financial assets / liabilities	-	2,085	(543)
Increase / (decrease) in trade and other payables	2,210	(296)	2,506
(Decrease) / increase in derivative financial liabilities	-	(2,037)	526
(Increase) / decrease in inventories	(23)	65	5
Net cash inflow / (outflow)	<u>2,767</u>	<u>(116)</u>	<u>430</u>
Tax receipts	<u>-</u>	<u>-</u>	<u>2,539</u>
Net cash inflow / (outflow) from operating activities	2,767	(116)	2,969
Cash flows from investing activities			
Acquisition of property, plant and equipment	(40)	(120)	(40)
Acquisition of intangibles	(1,367)	(2,546)	(1,984)
Deferred consideration on acquisition of subsidiary	(803)	-	-
Acquisition of subsidiary, net of cash acquired	-	-	(256)
Net cash used in investing activities	<u>(2,210)</u>	<u>(2,666)</u>	<u>(2,280)</u>
Cash flows from financing activities			
Borrowings	-	-	2,000
Principal elements of lease payments	(446)	(464)	(427)
Interest paid on finance lease	(97)	(110)	(112)
Interest paid	(10)	-	(27)
Proceeds from issuance of ordinary shares	46	-	-
Net cash (used in) / from financing activities	<u>(507)</u>	<u>(574)</u>	<u>1,434</u>
		-	
Net increase / (decrease) in cash and cash equivalents	50	(3,356)	2,123
Cash and cash equivalents at the beginning of the period	10,032	11,265	7,909
Cash and cash equivalents at end of the period	<u><u>10,082</u></u>	<u><u>7,909</u></u>	<u><u>10,032</u></u>

**CONSOLIDATED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

1. Basis of preparation

The principal accounting policies applied in the preparation of the Group and Interim Consolidated 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.

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

The unaudited consolidated Interim financial statements have been prepared in accordance with the AIM rules and consistently with the basis of preparation and accounting policies set out in the accounts of the Group for the year ended 31 December 2020. The information set out herein is abbreviated and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. These interim consolidated financial statements do not include all disclosures which would be required in a complete set of financial statements and should be read in conjunction with the 2020 Annual Report.

The Company is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

a) Critical judgements and estimates

IFRS 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. These estimates are based on the Directors best knowledge and past experience. The existing critical judgements and estimates set out in note 3.26 of the Group's annual report for the year ended 31 December 2020 have been reviewed in preparing these Interim consolidated financial statements, and in particular surrounding the current Covid-19 situation, and the Directors believe they remain relevant.

b) Going concern

The Board continues to closely monitor its performance, and considers a range of risks that could affect the future performance and position of the Group, including the on-going risks to the business arising from the Covid-19 pandemic. The Board considers it has a reasonable expectation that it has adequate resources to continue to operate for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

2. Segmental Analysis

The segmental results were as follows:

Unaudited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 30 June 2021	£000	£000	£000	£000	£000	£000
Segment revenue	10,124	3,853	69	2,859	-	16,905
Direct costs	(5,837)	(27)	(21)	(800)	-	(6,685)
Gross profit	4,287	3,826	48	2,059	-	10,220
Administrative expenses					(10,239)	(10,239)
Amortisation					(2,135)	(2,135)
Finance costs					(93)	(93)
Profit / (loss) before tax	4,287	3,826	48	2,059	(12,467)	(2,247)
Total assets				4,976	63,950	68,926
Total liabilities				(1,996)	(25,196)	(27,192)
Total net assets	-	-	-	2,980	38,754	41,734

Unaudited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 30 June 2020	£000	£000	£000	£000	£000	£000
Segment revenue	8,233	2,642	393	2,504	-	13,772
Direct costs	(2,899)	(1,341)	(151)	(643)	-	(5,034)
Gross profit	5,334	1,301	242	1,861	-	8,738
Administrative expenses	-	-	-	-	(9,916)	(9,916)
Amortisation	-	-	-	-	(2,058)	(2,058)
Finance costs	-	-	-	-	(110)	(110)
Profit / (loss) before tax	5,334	1,301	242	1,861	(12,084)	(3,346)
Total assets	-	-	-	5,714	60,851	66,565
Total liabilities	-	-	-	(2,087)	(18,350)	(20,437)
Total net assets	-	-	-	3,627	42,501	46,128

Audited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 31 December 2020*	£000	£000	£000	£000	£000	£000
Segment revenue	9,009	3,336	237	2,606	-	15,188
Direct costs	(3,277)	(1,523)	(123)	(713)	-	(5,636)
Gross profit	5,732	1,813	114	1,893	-	9,552
Administrative expenses	-	-	-	-	(13,526)	(13,526)
Amortisation	-	-	-	-	(2,289)	(2,289)
Impairment charge	-	-	-	-	845	845
Finance costs	-	-	-	-	(282)	(282)
Profit / (loss) before tax	5,732	1,813	114	1,893	(15,252)	(5,700)
Total assets	-	-	-	4,399	64,708	69,107
Total liabilities	-	-	-	(1,755)	(24,710)	(26,465)
Total net assets	-	-	-	2,644	39,998	42,642

*A review of the underlying data has led to some minor re-profiling of H1-2020 and H2-2020 disclosures.

3. Loss before tax

Loss before tax is stated after charging the following operating costs:

	6 months ended 30 June 2021 Unaudited £000	6 months ended 30 June 2020 Unaudited £000	12 months ended 31 December 2020 Audited £000
Marketing costs	392	799	1,206
Staff costs	6,718	5,799	12,894
Property and office costs	490	500	993
Audit fees	188	192	375
Other professional fees	524	552	1,270
IT and telephone cost	874	552	1,299
Travel and similar	50	157	233
Foreign exchange loss	52	(38)	199
Share option charge	217	195	444
Write-off of card stocks	-	-	575
Contingent consideration	-	-	637
Bad debt provisions	-	530	513
Depreciation of right of use assets	486	465	940
Depreciation of property, plant and equipment	247	203	487
Other costs	1	11	402
Administrative costs	10,239	9,917	22,467

Staff costs include £0.6 million costs relating to a number of senior staff departing the business. This includes settlement costs, notice period costs and associated legal expenses.

4. Credit impairment charge

Credit impairment charge represents the movement for the period in expected credit loss under IFRS 9 *Financial Instruments*.

5. Taxation

	6 months ended 30 June 2021 Unaudited £000	6 months ended 30 June 2020 Unaudited £000	12 months ended 31 December 2020 Audited £000
Current year R&D credit	(319)	(734)	(1,347)
Change in R&D credit estimates relating to prior years	-	-	(24)
Current year corporation tax charge	20	-	-
Current tax credit	(299)	(734)	(1,371)
Origination and reversal of temporary differences	(762)	458	(564)
Recognition of previously unrecognised deductible temporary differences	(14)	99	(174)
Deferred tax expense	(776)	557	(738)
Total tax credit	(1,075)	(177)	(2,109)

6. Share capital

	6 months ended 30 June 2021 Unaudited No	6 months ended 30 June 2021 Unaudited £000	6 months ended 30 June 2020 Unaudited £000	12 months ended 31 December 2020 Audited £000
Authorised, issued and fully paid-up ordinary shares of £0.01 each				
As at start of period	178,602,918	1,786	1,786	1,786
Issued during the period	138,889	1	-	-
As at end of period	178,741,807	1,787	1,786	1,786

Equals Group Plc issued 138,889 1p ordinary shares on 20 April 2021 for total consideration of £46,875, of which £45,486 was allocated to the Share Premium reserve, in order to satisfy the exercise of share options by a former Director of the Group.

7. Borrowings

	2021 £000	2020 £000
Loan debenture	<u>2,000</u>	<u>2,000</u>

Under the Coronavirus Business Interruption Loan Scheme (CBILS) to further support working capital, on 23 December 2020 the main trading subsidiary of the Company, FairFX plc, 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 the period 1 July 2021 to 31 December 2021 representing six months repayment holiday will be £26k. The estimated interest payment for the year ended 31 December 2022 is £48k. The loan is for a six year period, maturing on December 2026, at the Bank Base rate + 2.53% and may be repaid early 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 provides a debenture to the RBS for the value of the loan. Both of these requirements have been met.

8. Finance costs

Finance costs comprise the unwind of discount on the lease liability under IFRS 16; the unwind of discount on deferred consideration in respect of business and company acquisitions made by the Group and other financing interest costs.

9. Post balance sheet events

On 23 July 2021, Equals Group Plc issued 550,000 1p ordinary shares for total consideration of £153,875, of which £148,375 was allocated to the share premium reserve, in order to satisfy the exercise of share options by former Director of the Group and a former senior employee.

- ENDS -