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For immediate release **8 April 2021**

Equals Group plc
('Equals' or the 'Group')

Final Results

'Strong operational and financial progress as B2B focus gains further momentum'

Equals (AIM:EQLS), the technology-led international payments group focused on the SME marketplace, announces its final results for the year ended 31 December 2020 (the 'period' or 'FY-2020') and an update on the Group's trading in FY-2021.

FY-2020 Financial Summary

£millions	**FY-2020**	**FY-2019** (restated) Ω	**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 Group 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 50% 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 £5.4 million to £6.9 million

Q1-2021 Group Highlights

- Launch of Equals Money 'an account you can bank on'
- Revenue in Q1-2021 totalled £8.0 million, an annual run-rate equivalent of £120k per employee.
- Current free cash position £9.0 million – equivalent to 5 pence per share
- Costs remain under tight control and headcount stable at 250
- Q1-2021 performance exceeded management expectations

Commenting on the Final Results, Ian Strafford-Taylor, CEO of Equals Group plc, said:

"Despite a number of external headwinds, the operational and financial progress made this year as we focused our business towards B2B is something I am incredibly proud of, and highlights the quality of the Equals Group.

"As the UK payments sector becomes increasingly crowded with specialist operators, our unique proposition spanning banking services, international payments and card-based solutions is proving to be a major differentiator for our customers, driving loyalty and new customer acquisition. This, coupled with the benefits of our accelerated planned restructuring and right-sizing of operations, places us in a really strong position as we move past the challenges of 2020 and continue to focus on driving further B2B-led growth."

Analyst meeting

A conference call for analysts hosted by Ian Strafford-Taylor (CEO) and Richard Cooper (CFO) will be held at 09.30am today, 8 April 2021. A copy of the Final 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/60546425d2ba3d1fb050bfdc

Notes

*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, and separately reported items. Separately reported items are large, non-recurring items

Ω2019 restatement – R&D credits now shown within taxation, as opposed to an offset within operating expenses.

- Ends -

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Notes to Editors:

Equals Group is a technology-led international payments group augmented by highly personalised service for the payment needs of SME's whether these be FX, card payments or via Faster Payments. Founded in 2007, the Group listed on AIM in 2014 and currently employs around 250 staff across sites in London and Chester. For more information, please visit www.equalsplc.com.

Chief Executive Officer's Report

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 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 its 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 proved the value of the investments in digital-services infrastructure made by the Group in 2019. Concurrently, the Board accelerated a planned restructuring and re-sizing of Equals, 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 £2.0 million under the CBILs initiative.

Wirecard

As reported in the Group's interim results and widely reported in the press, the demise of Wirecard AG and its subsidiaries ('Wirecard') (the largest prepaid card issuer in the UK), affected Equals as the Group issued cards using Wirecard for all its B2C and some of its B2B programmes. 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 Equals' 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 significant, 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 focused on the B2C space with the over-riding KPIs of customer numbers, whereas Equals is firmly focused 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, Equals has assembled 'bank-grade' payments connectivity overlaid with vastly superior user experience than 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 simply 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 its 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.

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 RBS and providing additional functionality and improved 'in-country' settlement capabilities paving the way to straight-through-processing (STP);
- Refined 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 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 Expenses**	**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**
Y-on-Y % 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**
Y-on-Y % 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**
Y-on-Y % 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 rounding. Percentages are calculated on the underlying figures before rounding.*

Revenue and revenue margins

Total revenue for the year was just shy of £29.0 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 Expenses	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	**13,605**	**3,075**	**366**	**665**	**2,566**	**20,277**
FY-2019	9,000	3,976	1,249	1,607	2,712	18,545
Y-on-Y % 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	**3,759**	**-**	**2,003**	**376**	**2,544**	**8,683**
FY-2019	2,929	-	6,840	10	2,621	12,400
Y-on-Y % 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%	
H2-20 v H1-20	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%	
Y-on-Y 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 rounding. 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 (FY-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 the Group's 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 sale 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 2020 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 Director and Head of the Audit and Risk Committees in October 2020. Under all 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 Equals 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 straight-through-processing ('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 Equals 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 Equals' 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 is 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 £8.0 million against the pre-Covid 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. The well-controlled liquidity position has resulted in a free-cash balance of £9.0 million at 31 March 2021.

Capital Markets Day
On 6 May 2021, Equals 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. Further details are included in a separate announcement.

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.

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 services	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 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					*59.0%*
= CONTRIBUTION					**£17.1m**
Less: Gross costs (excluding separately identified items)			(£23.6m)		
% booked through income statement			67%		
			→		(£15.9m)
ADJUSTED EBITDA					**£1.2m**

**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 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 programme which involved reducing costs in all areas of the business, without jeopardising its product roll-out programme.

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

PART B. INCOME AND EXPENDITURE ACCOUNT

Table 4 - Income and Expenditure account and its 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, foreign exchange differences, share option charges, and separately reported items.*
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 rounding. Percentages are calculated on the underlying figures before rounding.

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 (FY-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: £22.9million).
- 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% (FY-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 FY-2020	10,894	3,147	3,043	**17,084**	18,530
%	63%	62%	47%	**59%**	60%
Contribution FY-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, equated 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

	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 FY-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.

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Table 9

	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

	H1-2020	H2-2020	**FY-2020**	FY-2019
Gross costs	997	1,007	**2,102**	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	459	**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.

Table11

In £000's	H1-2020	H2-2020	**FY-2020**	FY-2019
Cash-based costs - Covid				
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**	-
Total, Wirecard	-	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 £0.45 million for tangible fixed assets (FY-2019: £0.4 million) and £0.9 million for 'right-to-use' assets (FY-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 pence in the pound.

Table 13

£'000	**FY-2020 £**	**FY-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 / Earnings per share in pence

	2020 Basic	2020 Diluted	2019 Basic	2019 Diluted
Loss per share	(3.87)	(3.87)	(3.20)	(3.12)
Adjusted loss per share*	(2.33)	(2.33)	(0.86)	(0.84)

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

PART C CASH STATEMENT

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	(2.5 pence)

*balances which fall outside the FCA safeguarding regime and hence are “on” balance sheet.

**includes movements in balances with liquidity providers and customer deposit margins

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

In £000's	At 31.12.2020 On Balance sheet	At 31.12.2020 *Off Balance sheet (memo only)*	At 31.12.2019 On Balance sheet	At 31.12.2019 *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.*

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 regulated subsidiaries of the Group.

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

Richard Cooper
Chief Financial Officer
7 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	FY-2020 £	FY-2019 £
Gross value of currency transactions sold*[1]	3.4	2,671,244,658	2,117,459,669
Gross value of banking deposit transactions		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)	(3.20)
Diluted	7	(3.87)	(3.12)

*[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.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Group		Company	
	FY-2020	**FY-2019**	**FY-2020**	**FY-2019**
	£	**£**	**£**	**£**
ASSETS				
Non-current assets				
Property, plant and equipment	1,645,635	1,972,818	-	-
Right of use assets	6,061,346	6,948,876	-	-
Intangible assets and goodwill	34,849,927	33,324,137	-	-
Deferred tax assets	3,192,585	2,438,859	743,613	238,369
Investments	-	-	61,706,671	38,892,060
	45,749,493	44,684,690	62,450,284	39,130,429
Current assets				
Inventories	194,091	263,971	-	-
Trade and other receivables	10,953,438	11,347,749	274,222	20,138,017
Derivative financial assets	3,019,247	4,560,780	-	-
Cash and cash equivalents	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	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	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	2,000,000	-	-	-
Lease liabilities	5,509,382	6,431,578	-	-
Deferred tax liabilities	3,739,960	3,226,586	-	-
	11,249,342	9,658,164	-	-
Current liabilities				
Trade and other payables	12,109,220	7,947,364	1,816,555	1,960,036
Lease liabilities	897,266	811,628	-	-
Derivative financial liabilities	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**

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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 and total comprehensive income	-	-	-	(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**

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

Group

	FY-2020	FY-2019
	£	£
Operating loss for the year	(8,654,584)	(7,725,019)
Cash flows from operating activities		
Adjustments for:		
Depreciation	1,427,368	1,347,872
Amortisation	4,346,682	2,830,587
Impairment	-	4,858,898
Share-based payment charge	444,129	122,609
Decrease / (Increase) in trade and other receivables	(401,045)	(1,859,253)
Decrease / (Increase) in derivative financial assets	1,541,533	(3,378,888)
(Decrease) / 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	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	(159,834)	(1,460,870)
Acquisition of intangibles	(4,530,470)	(11,679,597)
Acquisition of subsidiary, net of cash acquired	(255,433)	(2,226,153)
Net cash used in investing activities	(4,945,737)	(15,366,620)
Cash flows from financing activities		
New borrowings	2,000,000	-
Principal elements of lease payments	(891,167)	(643,786)
Interest paid on finance lease	(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	**10,032,178**	**11,265,266**

Company

	FY-2020 £	FY-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.

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 quoted on AIM, a market operated by The London Stock Exchange. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a financial technology (fintech) provider, primarily providing foreign currency and banking services. In addition, the Group has a Bureau de Change retail network in the City of London.

The Company and Group's consolidated financial statements for the year ended 31 December 2020 were authorised for issue on 8 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 has been issued by the IASB (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 3.25.

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

Transactions eliminated on consolidation
Intra-group balances and transactions, non-controlling interest 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 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.

3.4 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. 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 at a point in time using the relevant exchange rate.

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.

3.5 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.

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.

3.6 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.

3.7 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.

3.8 Taxation

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

3.9 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.

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	Payments	International Travel Cash	Banking	Central	Total
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)
Impairment charge	-	-	-	-	-	-
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 Travel Payments Cash	Banking	Central	Total
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

5 Operating loss

Operating Loss is stated after charging / (crediting) the following operating expenses: -	Note	FY-2020	FY-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	1,269,755	963,966
- Audit fees	5e	375,000	319,200
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**

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 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	**FY-2020** **£**	**FY-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)**

7. Loss / 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 (FY-2019, Loss £5,342,074, and the weighted average number of shares for the period was 178,602,918 (FY-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 (FY-2019: 171,327,405).

	2020 basic	2020 diluted		2019 Basic	2019 Diluted
	(3.87)	(3.87)		(3.20)	(3.12)

8 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**

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.

- ENDS -