Annual Report & Accounts 2020

Contents

2020: A year of growth, resilience and expansion

The year 2020 has been a year like no other for Aquis Exchange PLC, the City and the world. Notwithstanding the headwinds that Brexit and COVID-19 created, Aquis had much to celebrate in 2020, such as posting its first period of profitability, the full operational launch of its Paris base and the integration of its newly-acquired primary listings business Aquis Stock Exchange/AQSE.

The pan-European Aquis Exchange business remained the principal revenue driver with market volumes and volatility increasing compared to 2019. All the key metrics improved during the year, despite the extremely challenging environment and the business is well placed to support its Members through the combination of low toxicity and significant available liquidity - the key competitive advantages of trading on Aquis Exchange.

The purchase of AQSE was completed in March and we have since rebranded the business, undertaken a far-reaching market consultation and have already began to roll out many of the transformational and innovative plans we have for building this business into the natural home for growth companies wishing to become publicly-owned.

During 2020, we also expanded our personnel resources, bringing in more specialised expertise and investing further in technology. One of the highlights of the year was the completion of a project we undertook with the Singapore Exchange and Amazon Web Services to prove the concept that cloud technology can be deployed for top tier exchange operations, demonstrating the innovative approach Aquis brings to exchange platforms.

This year, 2021, has begun well, with virtually all our European share trading business successfully transitioning to our Paris office, the resumption of trading Swiss stocks in February and a strong pipeline for technology sales and IPOs on AQSE.

Profitability reached

Pre tax profit of £0.5m. 2020 was the first full year of profitability for Aquis – a significant milestone.

Revenue up 67%

Revenues were £11.5m for the period, up 67% on 2019.

Exchange business strong

Despite the COVID-19 and Brexit headwinds, the Company's core Aquis Exchange MTFs saw revenues up 46% at £7.7m.

AQSE transformation underway

Acquisition completed in March 2020. Rule and technology changes made, spreads down and liquidity boosted.

Cloud project successful

A proof of concept project with Singapore Exchange and Amazon Web Services to produce a cloud-based, world scale exchange was successfully completed.

Successful transition to Paris office

January 4th 2021 saw the seamless transition of virtually all Aquis Exchange's trading in non-UK European shares from London to Paris.

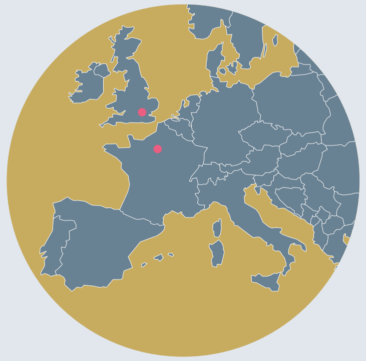
Swiss trading back

February 4th 2021 saw the re-activation of trading in Swiss stocks after an 18-month hiatus, following an equivalence deal between UK and Switzerland.

FT FINANCIAL TIMES statista

1000
Europe's Fastest Growing Companies
2021

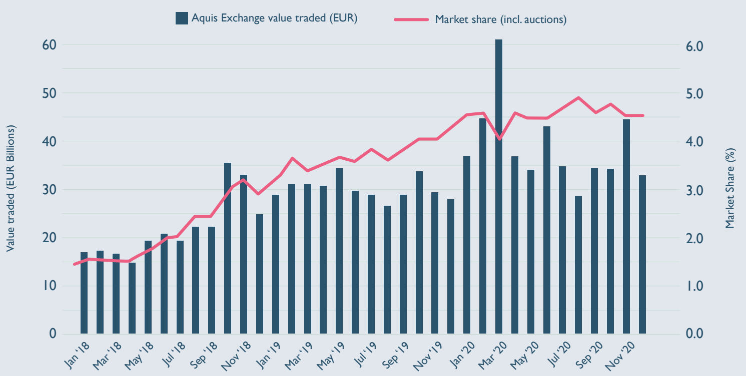
Aquis Exchange – the driver behind profitability



We saw continued strong performance from our core Aquis Exchange business during 2020, despite working-from-home restrictions on staff and Members alike.

The pan-European trading business saw revenue rise 46% to £7.7m from £5.3m the previous year. In addition to the disruption caused by the pandemic, much Brexit preparation work was undertaken by Aquis Exchange throughout 2020. This effort was rewarded with a very smooth transition of business at the start of January 2021, when virtually all of our EU denominated trading shifted to the Paris office. In a further movement of liquidity, the resumption of trading in Swiss stocks in February 2021 saw volumes return to the UK MTF for the first time since June 2019 .

MARKET SHARE AND VALUE TRADED



REVENUE

Aquis Stock Exchange – creating the home of growth companies

In March 2020, as the world succumbed to the grip of the COVID-19 pandemic, your company completed the successful acquisition of our new primary exchange. The business was renamed Aquis Stock Exchange (AQSE) and so began a new chapter in the Aquis story.

AQSE is an incredibly exciting business line for Aquis as it gives us the perfect platform to bring our well-known flair for innovation and desire to improve markets through competition to European IPO market for SMEs. Over the summer of 2020, we undertook a major consultation process with all our stakeholders. Based on those findings and with characteristic Aquis enthusiasm for positive disruption, we have set about transforming AQSE in three key ways as set out below.

THE TRANSFORMATION PROCESS

1 Increase institutional & retail investment
- Segmentation into Apex & Access
- Retail access to IPOs

2 Raise standards
- Modernise technology
- Enhance regulation
- Improve visability & branding

3 Boost liquidity in trading
- More market makers
- Narrower spreads

AQSE KEY FACTS (as of Dec 2020)

£1.8bn Value of securities	*90+* Number of securities	*16* Sectors represented	*5%* Spreads narrowed to 5% or less
5 Companies valued £100m+	*7* IPOs since acquisition	*£63m* Average mkt cap of Apex stocks	*£19m* Average mkt cap of all AQSE stocks

"While the building of AQSE into a major force in the markets has only just begun, we feel that we have put in place strong foundations on which to add more services and functions in the year ahead and to see our strong pipeline of potential issuers convert into successful IPOs."

SOME OF OUR 2020 NEW ISSUERS

British Honey Company is a UK based producer of spirits, honey and jams.

Incanthera is a specialist pharmaceutical firm focused on cancer treatments.

Vulcan Industries is a group of companies providing high quality products and services to the manufacturing and engineering sectors.

Aquis Technologies – in World-leading Cloud Project

In one of 2020's other highlights, Aquis Technologies (Aquis), together with Singapore Exchange (SGX) and Amazon Web Services (AWS), worked on a proof of concept project to demonstrate that complex exchange architecture and operations can work as efficiently in the cloud as in physical data centres.

The integration of multicast ensured feasibility as this functionality is crucial to large global markets. Aquis was chosen by SGX to take part because of its demonstrable expertise in delivering consistent ultra-low latency profiles in physical data centre environments.

Testing took place over much of 2020 using Aquis' matching engine, industry standard FIX and Aquis' own binary trading protocols, as well as market data run in the cloud by all three parties in their respective environments. A variability of a mere 4 microseconds was achieved, which hugely exceeded initial expectations.

Introducing the Aquis Exchange PLC top team members

THE BOARD OF DIRECTORS


Nicola Beattie
Independent Non-Executive Chairman


Richard Bennett
Senior Independent Non-Executive Director


Mark Spanbroek
Independent Non-Executive Director


Alasdair Haynes
Chief Executive Officer


Jonathan Clelland
Chief Financial Officer & Chief Operating Officer


Mark Goodliffe
Independent Non-Executive Director


David Vaillant
Independent Non-Executive Director


Deirdre Somers
Independent Non-Executive Director

Subsidiary boards

AQUIS STOCK EXCHANGE


Michael Berkeley
Independent Non-Executive Chairman


Alasdair Haynes
CEO


Glenn Collinson
Independent Non-Executive Director


Mark Goodliffe
Independent Non-Executive Director


Lesley Gregory
Independent Non-Executive Director

AQUIS EXCHANGE EUROPE


David Vaillant
Independent Non-Executive Chairman


Graham Dick
CEO


Jonathan Clelland
Executive Director


Glenn Collinson
Independent Non-Executive Director

EXECUTIVE TEAM


Alasdair Haynes
CEO


Jonathan Clelland
CFO, COO


Philip Olm
Company Secretary, General Counsel AQSE

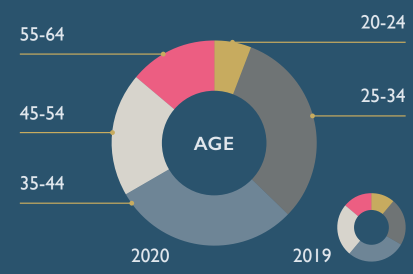

Graham Dick
CEO, Aquis Exchange Europe

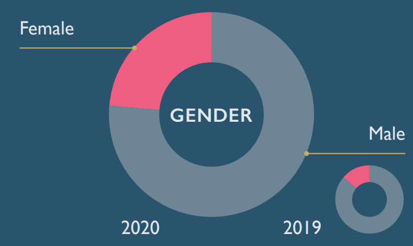

David Attew
Head of Regulatory Affairs

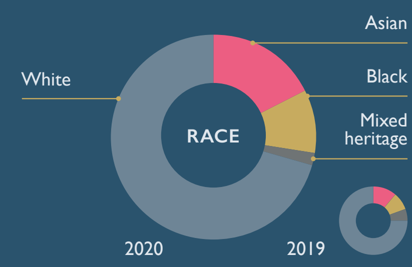

Viet Lee
Chief Technology Officer


Adrian Ip
Head of Technology Sales

COMMITMENT TO DIVERSITY







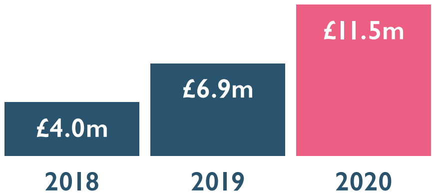
The data above refers to all Aquis Exchange PLC staff. Board directors are not included.

Chairman's Statement

Total Revenue

£11.5m +67%

2019: £6.9m



Pre Tax Profit

£0.5m

2019: £(0.9m)

2020 was a remarkable year of transition and collaboration for Aquis as we successfully navigated through the most difficult of circumstances during a global pandemic to post our first year of annual profits.

Achieving profitability was one of many notable firsts. The transition of the business towards a more mature state was also evidenced through the hiring of our first Chief Technology Officer, the building of our first cloud native exchange, and the successful completion of the NEX Exchange Limited deal (now Aquis Stock Exchange Limited, AQSE) along with its subsequent integration into the business. We have also seen a significant uptick in gender diversity and, at year-end, we seamlessly moved trading of the majority of Aquis Exchange's EU stocks into our French entity, creating a significant presence in the European Union outside of the UK.

Although unexpected, the entire business successfully moved to a completely remote working environment in unprecedented circumstances. This shows that the business continuity plans were robust and effective and that the Company's previously embedded attitude to flexible working gave it an immediate advantage in what was a very smooth transition.

Against such an extraordinary backdrop, collaboration was critical. Aquis staff jointly and successfully navigated the rapidly changing work environment supporting our clients and each other during very difficult times. The Board congratulates all the staff on their handling of the situation and recognises the changes and sacrifices that people have had to make to their work and home lives in order to keep the business operating.

It is also very pleasing that the integration of AQSE and the switch to Aquis systems was completed successfully. The acquisition was completed one day before lockdown meaning staff had little chance to integrate in a physical location. Yet it is clear, through engaging with the staff both remotely and in person when possible, how well the teams have got to know each other and have been working together.

Board and Governance

The Board continued to evolve in line with the Group's expansion and subsequent corporate governance requirements during the year. The Aquis Group's parent company, Aquis Exchange PLC now has two subsidiaries both of which are also financially regulated companies: the French entity, Aquis Exchange Europe SAS, AQEU, that was established in case of a no deal Brexit and AQSE, which holds a UK Recognised Investment Exchange Licence, RIE, that allows it to offer primary listings as well as secondary markets trading.

These two entities both require appropriate independent Board governance at the subsidiary level.

This year we also transitioned to the FCA's Senior Management and Certification Regime (SM&CR), which has increased the accountability of the Executive and the Chair and ensures that individuals have clearly prescribed responsibilities which are now assigned to them.

The Board continued its succession planning. Three non-executive board members, including the Chair, are coming towards the end of their nine-year tenure over the next one to two years.

We welcomed Deirdre Somers to the Board of Aquis Exchange PLC in the last quarter of the year as an independent non-executive director. Deirdre has 23 years of stock exchange and trading venue experience across both primary and secondary markets and, therefore, a deep knowledge of EU market structure and regulation. She was the Chief Executive Officer of the Irish Stock Exchange from 2007 to 2018, leading its transformation from a relatively small domestic equity exchange to a highly profitable Plc with global specialisms.

Lesley Gregory joined the Board of AQSE as an independent non-executive director during the year. Lesley has experience as the CEO, and now as the chairperson, of leading international law firm, Memery Crystal. She has significant experience in advising private growth companies as well as other organisations.

Culture, Stakeholder Engagement and Section 172 Duties

The Board continued its engagement with key stakeholders, particularly focusing on employees and shareholders.
I continued as the appointed representative of the Board to liaise with employees and engaged informally with small groups of staff remotely during lockdown and in person, when permitted. We also undertook our second annual employee engagement survey and overall feedback continued to be positive.

Following on from our initial shareholder engagement meetings in 2019, the Chair and various members of the Board have continued with a program to meet with key shareholders when possible either in person or remotely. A cross-section of Board members were encouraged to participate in different meetings.

The Board discharged its Section 172 (1) duties in a number of ways, details of which are set out on page 14 and include considering employees well-being during a very difficult year, undertaking considerable training and our first independent board evaluation to maintain high standards of conduct and improve the Board's effectiveness. We also spent significant time focusing on strategy and succession planning for the Board and the Executive.

Environment, Social and Corporate Responsibility

The Board recognises the Company's broader responsibility to grow sustainably. As an exchange operator, we realise that we have an important role in the economy by bringing issuers and investors together. We, therefore, have an opportunity to make a difference not only through our own actions but also by creating an environment for other companies and investors to make a difference.

From the outset Aquis has been committed to improving markets by maintaining the utmost transparency and least market toxicity for the benefit of the end investor. With the acquisition of AQSE in 2020, we can further stimulate growth in the economy by listening to the needs of issuers and creating a supportive, fair and low-cost environment for capital raisers to list instruments, particularly for innovative young companies. We are committed to educating and collaborating with these issuers about the expectations and benefits of creating and adhering to ESG policies.

We realise that our whole approach to ESG is part of a longer journey, which is only just beginning. To date our focus has been on ad hoc steps such as integrating diversity objectives into our business plans and cultural thinking or encouraging voluntary initiatives that consider the environment and the impact of our consumption. These are set out in more detail in the Strategic Report page 15. We have seen meaningful results in these focus areas but we now need to embed a full ESG plan into our strategy.

Our focus for the year ahead

The UK's transition away from the European Union and the COVID-19 pandemic continue to bring uncertainty but, based on our experience in 2020, we expect to continue with uninterrupted service supported by our flexible remote working structure.

A significant part of the secondary exchange trading business is now being run out of France and the aim is to continue to further develop the office there and to build relationships both within the EU 27 markets as well as within the UK. We also intend to capitalise on the success of the cloud project and our growing reputation for building world-class exchange technology.

Our Board will undergo further planned changes as the longer serving Non-Executive Directors retire from the Board but we aim to maintain stability and corporate memory through our on-going commitment to succession planning.

The Board will continue to be focused on ensuring the business delivers on its strategy across all the aspects of the business, managing risks, building sustainability and developing an appropriate framework for growth.

Nicola Beattie

Niki Beattie
Independent Non-Executive Chairman

Chief Executive's Report

Very strong growth from higher trading levels in the equities trading division were supplemented by growth in the technology and data divisions, together with the acquisition of AQSE.

The year of 2020 was a landmark year for Aquis as the Group achieved its first net profit, made substantial progress across its various business activities and successfully completed and integrated its first acquisition, all during one of the most difficult environments that I, and probably most others, have ever experienced.

The Group dealt comfortably with the volatile market conditions during March and April and running the exchange platforms remotely during the lockdown. It also managed to grow market share of the pan-European equities market, achieving 4.7% market share of all trading including auctions during 4Q20, compared to 4.2% during 4Q19. In addition, the Group reported a 67% growth in revenue to £11.5 million. Alongside this progress, we achieved a key milestone for the business when we completed the strategic acquisition of AQSE.

Very strong growth from higher trading levels in the equities trading division was supplemented by growth in the technology and data divisions, together with the acquisition of AQSE. Our success continues to be driven by the compelling nature of our subscription model and the strength of our industry-leading exchange software platform. We offer a faster and more reliable trading venue than many international trading venues to all market participants; the benefits are clearly now flowing through into improved financial results. The pre-tax profit of £0.5m in 2020, compared to a loss of £0.9m in 2019, is a significant step forward and provides the platform to grow the main secondary market exchange and technology licensing business streams and primary exchange business through AQSE so as to increase revenue across the Group.

Aquis Exchange

Over the period, the secondary market multilateral trading facility ("MTF") platforms operated by the Group delivered growth despite challenging economic and regulatory conditions. The number of trading members grew from 30 to 33 and a number of members increased their activity levels, leading exchange revenue to increase 46% to £7.7m.

Market share of all pan-European trading including auctions and dark pools has risen from 4.2% to 4.7% over the last 12 months and from 1.8% at the time of the IPO in June 2018. Our Market at Close ("MaC") order type, launched in August 2019, made a positive contribution to trading volumes on the platform and we anticipate will grow further during 2021. As the MaC allows members to enter orders for matching on the Aquis platform at the closing price of the primary market, we now operate across a larger cross-section of all available trading.

Aquis Exchange offered clients the ability to trade in excess of 1,500 stocks and ETFs across 14 European Markets as at the end of December 2020. We were not able to offer trading in the Swiss market during 2020. However, following the UK / Swiss agreement at the beginning of 2021, we were able to start trading Swiss stocks again on the 4th February 2021. The available liquidity, approximately 23% of total pan-European equity liquidity, increased by 3% from 20% in 2019 and should underpin future market share growth.

In March 2019, the Company established a French subsidiary with full regulatory approval to operate an MTF covering the European Union, AQEU. Despite the uncertain political situation in the UK throughout 2020, the Group completed its Brexit plans on schedule and is now able to maintain uninterrupted service.

Brexit and COVID-19 were major headwinds during the period and it is very encouraging that we have delivered such strong growth despite these issues and further demonstrates the highly competitive nature of our exchange business. This performance during a very challenging period is reflective of the significant efforts by all the Aquis employees during long periods of remote working.

Aquis Technologies

In addition to the exchange business, Aquis licenses its leading exchange related technology to a variety of international financial services clients across different asset classes. Revenue from technology licensing in 2020 grew to £2.3 million, reflecting the increasing interest in our high-calibre, in-house technology.

Aquis Technologies continues to develop its technology platforms to support growth across different asset classes internationally. One of the highlights of the year was the successful proof of concept project, undertaken in collaboration with Singapore Exchange (SGX) and Amazon Web Services (AWS) to create a cloud native exchange.

Aquis Market Data

Data revenues increased 165% in 2020 to reach £0.9m buoyed by the inclusion of AQSE data revenues. Data is seen as a key pillar of the Aquis strategic plan and we expect that it will contribute to the revenue streams of all 3 Aquis divisions over time.

One such aspect is the possibility of a consolidated tape for Europe. Introducing a consolidated tape in Europe should improve the quality and pricing of market data and lead to a fairer distribution of data fees across the various European exchanges. The Group is continually monitoring European Commission plans and market demand to introduce such a tape and is well placed to understand and grow the Group's data activity as this market in Europe develops.

Primary Markets: Aquis Stock Exchange (AQSE)

In March 2020, we completed the acquisition of 100% of the share capital of NEX Exchange Limited from CME Group Inc. for the nominal amount of £1 plus the current working capital held by NEX Exchange Limited, the majority of which comprised regulatory cash and which amounted to £2.88m at the transaction date.

The acquired company, rebranded as Aquis Stock Exchange Limited (AQSE), had at 31st December 2020, 87 companies quoted on its two markets, with a total market capitalisation of approximately £1.8bn. It works with 49 registered brokers and 8 market makers. Following the acquisition, we successfully concluded a consultation period with industry participants in order to assess opportunities to enhance the market functionality. This has led to us launching an innovative market making scheme, which we believe will significantly enhance liquidity and narrow spreads of stocks. For the $9^1/_2$ months ended 31st December 2020, AQSE delivered revenues of £1.2 million and a loss before tax of £0.5 million.

The acquisition has provided us with the ability to operate a Recognised Investment Exchange (RIE) giving our business the same status as the large national exchanges in Europe and providing further resilience in the face of possible regulatory headwinds.

Underpinned by the Group's proven technology and a track record of transparency and innovation, I am confident that we have the ability to build AQSE into a competitive and disruptive primary marketplace, particularly as MiFID II continues to put the traditional business model of national exchanges under pressure. I believe that we have a unique opportunity to build a pan-European, technology-driven, listing exchange for growth companies, overcoming several issues faced by small and mid-cap market participants today.

Further Investment in Research and Development (R&D)

The Group continues to invest in R&D in order to maintain and enhance the quality of its technology and its ability to be able to deliver new products and platform enhancements to its clients. Our proven trading platform has been developed in-house and is based on proprietary technology, which does not rely on third party software suppliers. The effectiveness and reliability of our technology was a major factor in dealing with COVID-19 and the requirement to adopt remote working which was achieved seamlessly. The quality of our technology underpins our Group strategy and is also one of the principal reasons for the growth in our technology licensing business.

I believe this structure and continued investment in R&D gives us a significant competitive advantage on functionality, price and ability to deliver. Aquis' nimble technology organisation ensures expeditious product development and, together with Aquis' further investment into its sales organisation, will allow the Group to react quickly to dynamic market conditions. We intend to continue to work on further developments which will foster future growth.

Resources

We have also invested in personnel resources across a number of departments in particular the sales and technology activities and strengthened the Executive Committee.

Outlook

There remains significant macro-economic uncertainty given the continued presence of COVID-19 and the lack of certainty of the full impact of Brexit; however, I believe that our strong team and technology platform should enable us to overcome these and future challenges. Our technology systems dealt efficiently with the higher messaging volumes caused by increased volatility in trading earlier in the year and we have an effective remote operating capability in place. Although the longer-term economic impact is harder to predict, such that it is difficult to forecast the effect on the broader Group for the time being, I remain confident in our unique

Chief Executive's Report continued

proposition and that we are ready to achieve the next level of operational, financial and strategic success.

We continue to invest in our business to ensure that we maintain our ability to grow. This investment should support the aim of broadening and improving our market position through innovation and excellence. We will continue to promote the Aquis values of transparency, fairness and simplicity, enabling our end customers to get better performance and results.

In addition to tackling the issues of small and mid-cap trading through the AQSE initiatives, our aim in the future will be to deliver robust and sustainable returns for the benefit of shareholders and all our other stakeholders in the medium and long term. Despite the unprecedented situation which we, together with the whole world, continue to face, our highly capable and experienced management team remains focused on serving our clients as we grasp the opportunities ahead and, in particular, on delivering our shared goals, and our vision for transformation of primary markets for small and mid-cap stocks.

Alasdair Haynes

Alasdair Haynes
Chief Executive

Strategic Report

Overview of the business

Aquis Exchange Plc ("Aquis" or "the Company" or "the Group"), is a pan-European Multi-Lateral Trading Facility, ("MTF"), operator that provides secondary market trading in Pan European stocks that are listed on other exchanges. It also provides exchange and regulatory technology to third parties. On 11 March 2020, it acquired NEX Exchange Limited ("NEX Exchange"), a Recognised Investment Exchange ("RIE") which has been rebranded Aquis Stock Exchange Limited ("AQSE") and which runs as a subsidiary providing primary markets for small and medium size issuers and secondary market trading in those stocks. The Company also has a French subsidiary, Aquis Exchange Europe SAS, AQEU, an MTF established to enable European clients to continue to trade EU stocks, which provides secondary market trading in EU 27 stocks listed on other exchanges.

The Company is regulated by the UK Financial Conduct Authority with two subsidiaries: a French subsidiary, AQEU, an investment firm incorporated in France, that received regulatory approval to operate as an MTF from the Autorité de Contrôle Prudentiel et de Resolution ("ACPR"), effective in March 2019 and AQSE, a UK regulated Recognised Investment Exchange.

Following the UK's exit from the EU, 99% of all EU continuous trading moved from the exchange business in London (AQXE) to AQEU on 4th January 2021. This move was handled seamlessly.

The Group's objective is to become the leading technology driven exchange services group and to introduce competition and innovation to the securities trading market. With these guiding principles the Group's main focus is to:

- Capitalise on regulatory and technical shifts in market infrastructure by providing an exchange which offers deeper liquidity and transparency, and higher quality execution for intermediaries and investors;
- Continue to increase the number of members and associated trading volumes by providing a robust and innovative platform that responds to their needs;
- License its proven technology platform to third parties that require trading or market surveillance technology; and
- Positively address the current market issues of spread and liquidity in small and mid-cap trading through AQSE's RIE status

The trading platform for all Group entities is run on the same trading technology and all entities apply a unique subscription-based pricing model based on electronic messaging traffic and a lit market. This means that the dealing price prior to the trade is transparent to the whole market. This is in contrast to pricing on dark and grey markets, where price discovery is only available to the market post-trade.

AQXE and AQEU MTFs apply a non-aggressive trading model, which means that certain types of trading behaviour are not allowed, and it encourages more passive trades to rest in its order book. This creates greater depth of liquidity and less potential for information leakage or "toxicity" in the market. Independent studies have verified that Aquis' non-aggressive trading model has materially lower toxicity than its competitors, which reduces adverse price movements thereby lowering the implicit costs of trading for the end investor. This is a significant positive differentiating factor and underpins our continued growth potential.

AQSE is focused on creating a primary market for growth company issuers and a secondary market for the trading of their stocks.

The client base of all three entities consists, principally, of investment banks and brokers acting on behalf of institutions such as pension funds, asset managers and retail brokers to execute their orders and, in the case of AQSE, it includes the issuers who wish to raise capital on the platform.

The principal competitors to Aquis businesses are the national exchanges and other pan-European trading venues. In secondary markets they charge customers on a per transaction model and allow fully aggressive trading.

Since Aquis commenced trading it has consistently increased its market share of EU secondary markets trading, which has grown to reach an average of 4.7% of the overall pan-European market of all trading including auctions and dark pools during 4Q20. This business is well positioned to benefit from regulatory changes, which support transparent, low toxicity growth on "lit" markets. The regulatory trends and institutional support for greater transparency in European equities trading also support future business growth.

Aquis' matching engine and surveillance technology has been operating successfully for a number of years. It has been developed for multi-asset class trading and is attracting customers wishing to license the technology as the trading engine for a broad range of instruments. The Company's principal technology customers are new equity exchanges where the market is opening up to competition as well as exchanges specialising in digital assets, MTF operators across asset classes and market participants requiring real time market surveillance. Competitors of the licensing business are other matching engine providers and surveillance software providers.

We are a strong supporter of the regulatory principles such as greater transparency for markets that have been introduced and we are committed to complying with market regulation. We believe that we are well placed to benefit from the anticipated additional regulation given our robust and agile business model, our lean cost structure and our technology leadership.

The Board has established clear financial and non-financial KPIs for the senior executives in relation to the performance of the Group. For 2020 these were revenue, operating profit, market share of the exchange platform, quality of technology and its sustainability and compliance with regulations and corporate governance. Further details are given in the Remuneration Report.

Strategic Report continued

Financial Review

It has been a year of very strong revenue growth during 2020. A breakdown is as follows:

	Group		
	2020 £	2019 £	YoY Growth %
Revenue analysed by class of business			
Subscription fees	7,738,284	5,285,000	46%
Licence fees	2,319,700	1,269,362	83%
Issuer fees	524,402	0	N/A
Data vendor fees	894,867	337,632	165%
	11,477,253	6,891,994	67%

The Group generated an operating profit (profit before interest, taxation, depreciation and amortisation) for the year of £1.52m compared to a £0.01m operating loss in the previous year. The move from an operating loss to profit for the 2020 financial year is primarily attributable to increased exchange revenue as members' subscriptions have risen as a result of increased trading levels, as well as increased revenue from new technology licensing contracts that were signed, delivered and/or renewed during the year.

The trade receivables resulting from revenue from licensing technology contracts attract an IFRS 9 (impairment provision on the trade receivables arising from contract assets). This year the application of IFRS 9 has resulted in an impairment provision during the year of £100k (2019: £284k reversal).

The profit before taxation for the 2020 financial year of £0.5m compares very favourably with the loss before tax in 2019 of £0.9 million. The profit before taxation is after applying amortisation charges to internally generated intangible assets, as well as depreciation and finance charges, which reflect the accounting treatment of leases under IFRS 16. The lease liability is amortised over the life of the lease, attracting a finance expense charge amounting to £35k for 2020, whereas the right of use asset is depreciated on a straight-line basis over the life of the lease, attracting a depreciation charge of £173k for 2020. These costs are in line with the 2019 results.

The Group's cash and cash equivalents as at 31 December 2020 were £12.3 million (2019: £11.0 million) with a cash conversion rate of in excess of 100%. Total assets grew 14% to £18.8m while total equity grew 9% to £15m.

	Group		
	2020 £	2019 £	YoY Growth %
Group balance sheet at 31.12.20			
Cash	12,268,418	11,010,861	11%
Total assets	18,814,123	16,441,274	14%
Total equity	15,008,332	13,752,006	9%

Group investments, productivity and capital management

The Group hired its first Chief Technology Officer during the year and has continued to invest in its technology offering. This has included the creation and enhancement of new order types, enhancements to the surveillance system and auction systems, as well as technological development to enable the move into different asset classes and a proof of concept project to develop a cloud native exchange. In addition, the Group has made further investment in personnel resources as it continues to develop capability and brand awareness.

The Group is required to maintain sufficient capital to meet the regulatory obligations for all entities. These are calculated and updated annually. At 31 December 2020 the Company ICAAP requirement amounted to £3.2m (2019: £2.6m). The individual entities of the Group meet the respective FCA and ACPR capital adequacy requirements with plenty of headroom for further investment in business operations.

Regulatory capital requirements to which each entity within Group is subject to have been assessed and complied with in the year. An assessment of the excess of regulatory capital for each individual entity is as follows:

	Aquis Exchange PLC		Aquis Exchange Europe SAS		Aquis Stock Exchange Ltd	
	2020 £	2019 £	2020 €	2019 €	2020 £	2019 £
Total equity	16,344,234	14,129,957	3,841,776	2,881,470	2,657,790	–
Regulatory capital requirements	3,204,216	2,623,363	730,000	730,000	2,446,000	–
Excess	13,140,018	11,506,594	3,111,776	2,151,470	211,790	–

The Board considers that its investments have contributed to the Group's ability to gain new clients, broaden its customer base and increase revenue. The Group recognises the importance of continuing to enhance productivity, and the commitment to future investment, both technically and in terms of resource training and development. The Group has established both short and long-term incentive plans based on performance for all employees, which are set out in more detail in the Report of the Nomination & Remuneration Committee and align the employees' interests with the long-term strategic objectives of the Group.

In deciding its investment plans, Group management receive a detailed analysis of the exchange and client technical opportunities and related time requirements on a quarterly basis, and then determine the personnel and other resources that it wishes to allocate to these opportunities. This information also includes an estimate of the deployment cost.

Future development of the business

In order to support its long-term vision and in order to strategically position for continued growth, Aquis has invested significantly in its business differentiators, the technology platform, brand and personnel resources which includes a 50% increase in R&D technology investment in 2020. The Group is cognisant of the importance of such investments to maintain innovation and strong quality delivery.

AQSE Acquisition

In March 2020, the Company completed the strategic acquisition of 100% of the share capital of NEX Exchange Limited, now AQSE, from CME Group Inc. for a cash consideration of £1, plus approximately £2.9m based on NEX Exchange's current working capital levels at the time of transfer.

Based on the audited financial accounts for the year ended 31 March 2020, AQSE delivered revenues of £1.6m and a loss before tax of £1.6m. The Group has brought the year end of AQSE in line with other Aquis Group companies and so the consolidated results to 31 December 2020 include the 9 ½ months results for AQSE from 12th March 2020 to 31st December 2020.

The deal anticipated some synergies across the Group's exchange memberships, data offering and use of technology and the Group has already started to deliver on these, particularly in successfully transitioning AQSE onto the Aquis technology platform in September 2020.

The acquisition was concluded on 11th March 2020 with book value for cash, receivables (net of provisions) and liabilities. The acquisition did not include any loans, finance leases or any other class of receivables nor any other liabilities or contingent liabilities.

The acquisition consisted of:

- Cash: £2.6m
- Receivables (net of provisions): £0.7m
- Goodwill generated on acquisition: £0.1m
- Creditors and deferred income: £ (0.5m)

Related acquisition costs (legal and professional fees) were recognised as an expense in the 2019 Aquis financial statements and amounted to approximately £0.2m.

Stakeholder Management

The Group complies with the requirements prescribed by S172 of the Companies Act to disclose how the Company promotes its success for the benefit of all stakeholders.

The Board is acutely aware that the Group's long-term success and sustainable value creation is critically reliant on maintaining good relations with all stakeholders and ensuring that decisions are made after taking account of the principal stakeholders' interests. Specific stakeholder considerations undertaken by the Board this year included, but were not limited to, the critical analysis and assessment of decisions such as the integration of AQSE, Aquis' handling of the COVID-19 issue, changes in Director's remuneration and the Group's Brexit strategy.

In arriving at these decisions, the Board has assessed the likely consequences of any decision in the long term, the interests of the Group's employees, the need to foster the Group's business relationships with suppliers, customers and others, the impact of the Group's operations on the broader community, the desirability of the Group maintaining a reputation for high standards of business conduct, and the need to act fairly between shareholders of the Company.

Details on how Aquis and its Board engage with its principal stakeholders, are given below.

Strategic Report continued

Clients

Management pro-actively gathers regular feedback from clients, both positive and negative, in order to understand their ever-evolving needs, identify any improvements that would result in better client outcomes or satisfaction and to foster good client relations. This is regularly fed to the Board at meetings or on an ad hoc basis, if required.

Shareholders

Executive Management meet with the key shareholders at appropriate times during the year and provide feedback to the Board.

Additionally, following on from the successful shareholder engagement program in 2019, the Chair and other Non-Executive Directors continued, where possible, to engage with a subset of key shareholders through one-on-one meetings during the last quarter of 2020 to ensure that their views and opinions are clearly understood. Shareholders have been extremely appreciative of these meetings and feedback is provided to the Board in both written and verbal updates.

Employees

The Group promotes a positive and inclusive culture. Team meetings and Group briefings are held on a regular basis to ensure all personnel are informed of the Group's performance and key strategic objectives and goals. In addition, the Chair continued in her role as the Board's nominated representative for employee engagement and facilitated meetings with employees so as to ensure that their voices are heard through an independent ear for the Board.

This was complemented by an employee engagement survey, which allowed employees to provide feedback in confidence. Our first employee engagement survey took place in 2019 and a further survey was undertaken in 2020. Overall feedback continued to be positive. An action plan had been developed to address the key areas highlighted in the 2019 survey with particular emphasis on our core values and on improvement of operational efficiencies. Improvements could be discerned in these areas in the 2020 survey. A further action plan has been created following this year's survey with employee training and career development being the principal areas of focus.

Suppliers

The Group has identified key suppliers that include suppliers of office hardware and consumables, as well as suppliers such as liquidity providers and advisers such as auditors, brokers, legal advisers and PR consultants. The Group seeks the independent and experienced view of its key advisers on various matters as and when required. Sometimes this is directly with the Board or the Board will ensure that the Executive reports on advice provided to the firm when needed.

Regulators

The Group takes an open and co-operative approach with its regulators and positively embraces the FCA's 11 principles of business. The Group submits regular returns to the FCA. Employees whose roles encompass compliance activities are encouraged to attend regular external presentations and workshops arranged by the FCA on topical issues, and also receive regular professional update training. All new and existing employees and advisers are made aware of the FCA's principles of business, and undergo training required by finance professionals working at an equities exchange group. The Group arranges regular compliance assessments to provide assurance that the Group is meeting the requirements of the regulator.

Similarly, AQEU is regulated by the ACPR and the AMF where the same co-operative compliance principles are applied with the objective of establishing a strong relationship with the French regulators.

During the year the Board undertook training, which covered reminders of directors' duties in the UK and Europe with regards to the regulation and oversight of financial market infrastructures.

Compliance with Section 172 (1) of the Companies Act 2006

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. As such, Section 172 requires a Director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term
- Interests of the Company's employees
- Need to foster the Company's business relationships with suppliers, customers and others
- Impact of the Company's operations on the community and environment
- Desirability of the Company maintaining a reputation for high standards of business conduct
- Need to act fairly as between members of the Company

We set out below some examples of how the Directors have had regard to the matters set out in Section 172(1) when discharging their Section 172 duty and the effect of that Section on certain of the decisions taken by them.

Board Effectiveness and High Standards of Business Conduct

The Board undertook its first external Board evaluation and is developing a prioritised action plan based on the feedback.

The Board remains committed to high standards of corporate and regulatory governance. During the year the Board undertook training, which covered reminders of directors' duties in the UK and Europe and their responsibilities for the oversight of financial market infrastructures. Additionally, it explored how to improve the firm's cyber security risk management frameworks and became more informed about the policy-making environment for financial markets in Europe.

A number of specific actions were taken to increase the effectiveness of internal policies and procedures such as creating a Matters Reserved for the Board document and enhancing the firm's Independence Policy.

Consequences of Long-Term Decisions

Considerable time was spent focusing on the firm's strategy and challenging management to think about the longer-term impact of decisions, how those decisions were in line with the firm's values, the long-term sustainability of the Company and the desire to maintain its reputation.

The Board has also undertaken succession planning both for the Executive and the Board. Three board members, including the Chair, are coming towards the end of their nine-year tenure over the next one to two years. The Board operates a skills matrix to map the requirements of the Group against the current skills and composition of the Board and the skills and composition gaps that will be created as the Company evolves and Directors move off the Board. This is updated at least annually and was used effectively in our search for the latest additions to the Boards of both Aquis and AQSE.

During 2020, a new Chief Technology Officer was welcomed into the firm and a new Director of Finance has been recruited to start in the second quarter of 2021. Management are also targeting to increase senior commercial staff in the UK and France during 2021.

COVID-19 and The Interests of Employees

2020 was a hugely challenging year for every firm including Aquis. The Board communicated regularly during the early part of the pandemic to monitor both the business continuity and the employees' well-being. This continued as the various lockdowns unfolded and included considering work from home issues as well as the office environment for the periods between lockdowns.

The Board has also ensured engagement with employees through the engagement survey and the nomination of a Board representative to meet with employees when possible.

Our ESG journey

Our Purpose

In its role as a disruptor, Aquis' aim has always been to improve financial markets by maintaining the utmost transparency and least market toxicity for the benefit of the end investor. In this way it reduces both the explicit and implicit costs of trading that are borne by investors.

With its recent acquisition of AQSE, it is also now focused on stimulating growth in the economy by listening to the needs of issuers and creating a supportive, fair and low-cost environment for capital raisers to list instruments, particularly for innovative growth companies while ensuring an appropriate balance of investor protection. We also recognise the pivotal role we have to play in educating those issuers about ESG and how they can set and achieve goals and facilitating their disclosures to investors. The Group is assessing the viability of introducing a dedicated ESG market segment to qualifying companies that wish to list on AQSE.

Our Culture, Diversity and Employee Well-being

The Group is committed to ethical business conduct and expects the highest standards of integrity to be followed by the Directors and all employees. The Aquis Group culture is underpinned by the following core values:

- Trust (integrity, competence and deliver what and when we say we will);
- Pro-activity (discipline and initiative);
- Openness (transparency);
- Excellence (through creativity and innovation);
- Collaboration (through positive, collegiate and free thinking); and
- Respect.

Despite the increase in employee numbers in 2020 the Group has a relatively small resource base, and therefore has concentrated on recruiting personnel with a high degree of specialist skills. The Group provides on-going training and support with the aim of ensuring that personnel retain and enhance their technical skills and that employees feel that there is opportunity to develop within the Group.

The Group has a Diversity and Inclusion Policy that emphasises Aquis' desire to create a supportive and inclusive culture amongst the whole workforce. We believe it is within our best interest to promote diversity and eliminate discrimination in the workplace. Our aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result. The policy reinforces our commitment to providing equality and fairness to all in our employment and not providing less favourable facilities or treatment on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, or sex and sexual orientation. We are opposed to all forms of unlawful and unfair discrimination. All employees, management, agency, casual workers, and independent contractors no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When Aquis selects candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability. All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised, and we will maximise the efficiency of our whole workforce. Aquis commits:

- To create an environment in which individual differences and the contributions of all team members are recognised and valued.
- To create a working environment that promotes dignity and respect for every employee.

Strategic Report continued

- To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- To make training, development, and progression opportunities available to all staff.
- To promote equality in the workplace, which Aquis believes is good management practice and makes sound business sense.
- To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- To encourage employees to treat everyone with dignity and respect.
- To regularly review all our employment practices and procedures so that fairness is maintained at all times.

Aquis keeps all employees informed that an equality, diversity and inclusion policy is in operation and that they are obligated to comply with its requirements and promote fairness in the workplace. The policy is also drawn to the attention of agents, stakeholders, customers and job applicants. It is therefore very pleasing to report that gender and non-gender diversity strengthened during the course of the year and we have established targets to improve this further. It was also pleasing to see that through focused effort with external recruiters a more diverse selection of candidates made it through to the shortlists, even for the most senior roles and we believe our diversity and inclusion policies will have a positive impact on the successful execution of the Group strategy.

It was also very important to note how our already embedded attitude to flexible working allowed the Group to migrate seamlessly to a work from home environment in the face of a global pandemic. However, we also recognise the enormous challenges and sacrifices that people have had to make when this became a long-term situation and are considering how to best strike the right work-life balance when a more normal working environment is resumed.

The Group aims to competitively remunerate its employees and to accommodate flexible working requests wherever possible. In addition to the anonymous employee survey and meetings with the Chair of the Board, employees have regular one-to-one sessions with their immediate line manager and annual reviews where development plans are discussed to ensure individuals' objectives are aligned to the business strategy and to improve levels of employee engagement.

The Group has a commitment towards preventing slavery and human trafficking throughout our supply agreements: the Group complies with the Modern Slavery Act 2015 (MSA) and adopts a zero tolerance approach towards slavery and human trafficking and expects all those in our supply chain (and contractors) to comply with the MSA.

Consumption and the Environment

The Directors endeavour to promote the consumption of resources in a manner that fosters the long-term sustainability of the business and the environment in which it operates and are conscious of the requirement to monitor these activities.

Although the Group has a small number of personnel and associated office space, it recognises that it contributes directly to carbon emissions through its consumption of energy, waste and water, through staff travel and, indirectly, through its consumption of supplies and equipment including office hardware.

During the year employees worked primarily remotely due to the COVID-19 pandemic which significantly reduced carbon emissions from employees commuting to the office and the Group remains committed to continuing to operate a flexible remote working structure which will continue to have a beneficial effect on carbon emissions. In addition, when employees are working in the office the Group pro-actively works towards reducing its carbon footprint through the following initiatives:

- Motion-activated lights in the main office space and hallways;
- Recycling of obsolete office electronic equipment, batteries, plastics, cardboard, coffee capsules, paper and tins in the office space;
- Of the 2 data centres used by Aquis, one is powered by 100% renewable energy whilst the second is striving to be "greener". The operational statistics demonstrate positive and significant improvements have been made;
- The building electricity provider for the Aquis office switched to an energy supplier in October 2020 that obtains energy from 100% renewable electricity and carbon neutral gas;
- As a general principle, AQEU Board and Committee meetings are held remotely when possible
- Elimination of paper for Board and Committee meetings by using electronic board books.

We are also very pleased to have achieved a proof of concept project this year with Singapore Exchange, SGX, and Amazon Web Services, AWS, to deliver a cloud native exchange. While most major financial exchanges operate using physical data centres, the infrastructure required to run a trading environment is massive, costly and unfriendly to the environment because of the fact that servers must always be "on" and significant duplicative processing occurs. If trading firms could leverage all the benefits of running a cloud-based solution, the cost optimisation, scalability and resiliency would make a positive contribution to reducing the impact on the environment.

Governance

When Aquis listed in 2018, it voluntarily chose to follow the highest standards of corporate governance when it committed to adhering to the UK Corporate Governance Code and the Directors have implemented appropriate measures to comply with the Code.

Aquis and AQSE are directly authorised and regulated by the FCA and AQEU is regulated by the ACPR and the AMF. The Group fully complies with the relevant rules and guidelines in all respects and monitors that compliance throughout the year.

The Group's objective is to establish an open and cooperative relationship with all regulators and it positively embraces the FCA's 11 principles of business. The Group submits regular returns to the FCA, and employees whose roles encompass compliance activities are encouraged to attend regular external presentations and workshops arranged by the FCA on topical issues, and also receive regular professional update training. All new and existing employees and advisers are made aware of the FCA's principles of business, and undergo training required by finance professionals working at an equities exchange group. The Group arranges regular compliance assessments to provide assurance that the Group is meeting the requirements of the regulator. During the year the Board undertook training, which covered reminders of directors' duties under UK law, under the UK Corporate Governance Code and also under UK and European regulation with regards to the oversight of financial market infrastructures.

The wider community

Aquis has been involved in a number of charitable and community enhancing initiatives e.g. supporting the NHS and Help for Heroes throughout the year and employees have shown their desire to make a difference.

Knowledge Transfer Project

Aquis is proud to have begun the partnership process with a UK University as part of a two-thirds government funded Knowledge Transfer Project ("KTP") that will involve industry-led research and development on artificial intelligence for trading platform surveillance alerts that will promote an efficient and accurate market abuse monitoring system.

Current surveillance systems are deterministic, handcrafted, generate a high percentage of false positive alerts and run a high risk of human fatigue and/or boredom. Consequently, market abuse events may often be missed when analysing a large number of false positives. As part of our mission to improve transparency in financial markets, this partnership will publish research papers on machine learning techniques that will mitigate human error in detecting fraudulent trading practices that harm the integrity of, and trust in, financial systems that are critical for the modern economy.

Aquis is proud to have regulator and consumer encouragement to embark on such a project, and as part of our mandate to strive for innovation, we are excited for what the future holds for machine learning and artificial intelligence in the trading industry.

Next Steps in Our ESG Journey

Our short-term goal is to understand the sustainability risk factors of our day-day activities and translate them into a meaningful company-wide ESG strategy that can be woven into our main strategic goals.

In 2021 we aim to:

- Deliver ESG training for the Board
- Develop a formal ESG policy
- Set formal short, medium and longer term non-financial goals on material ESG topics that are relevant to our business
- Introduce a first round of formal initiatives to reduce ESG impacts and manage ESG risk

Strategic Report continued

Principal risks and uncertainties

The identification and management of risk is an integral part of the execution of Aquis' strategic vision and operations. The table below provides an overview of the principal risks facing the Group:

STRATEGIC RISKS

Risk	Risk Description	Mitigation
Economic landscape	The adverse effect of COVID-19 on the global, European and UK economic conditions and the speed of recovery may negatively affect the Group's trading volumes resulting in lower revenues or increased costs. In addition, potential adverse effects of the UK's exit from the EU may arise over the course of 2021 or in the future.	Aquis derives revenues from both fee and contractual annuity-based streams, which are less impacted by cyclical market driven trends. COVID-19 had a material negative effect on the economic landscape; however, overall market volumes remained strong having a positive effect on Aquis revenues. Since Brexit pan-European trading has shifted almost 100% to the Group's MTF subsidiary in France, AQEU, that has full regulatory approval from the ACPR to allow the Group to continue to operate as an MTF.
Legal/Regulation	The Group operates highly regulated entities, including two MTFs and an RIE and is required to maintain sufficient regulatory capital and comply with all legal and regulatory requirements necessary to operate the Group's business. All three group entities hold regulatory licences and must hold their own capital. There is the risk that current regulation or future changes could have an adverse effect on the Group. Possible impacts may be (but are not limited to): • Sustained downturn in revenues could put the regulatory capital at risk; • One of the group entities could be subject to a fine or a lawsuit which may draw on the entities' finances • Change in regulation may increase costs for the Group or require unanticipated investments • Inability to meet regulatory requirements could result in a licence being withdrawn and prevent the group entity from operating its core business In addition, changes in tax law e.g. the 2021 Budget corporation tax change may result in an increase in the overall tax burden of the Group which could have a materially adverse effect on the Group's business.	Senior management consistently monitor regulatory developments which are discussed and actioned at Audit Risk and Compliance Committee (ARCC) meetings and engage regularly and directly with regulators. The Board reviews a quarterly dashboard that incorporates the Group's behaviour and statistics in relation to regulatory obligations. The Board also places considerable importance on having competent staff and advisors to help manage legal and regulatory risk. The Board considers regulators as key stakeholders in its stakeholder engagement and endeavours to maintain positive working relationships with the regulators for each group entity. In addition, each member of the Group currently has sufficient excess regulatory capital to deal with changes in regulation. Changes in regulation are usually accompanied by a period of consultation that allows market participants to provide feedback before changes are made and a further period to prepare for change once changes in regulation are determined. The Group consistently reviews the risks associated with possible changes in tax legislation.

Risk	Risk Description	Mitigation
Competition	The Group operates in a highly competitive and global industry. The principal competitors to the trading business are the national exchanges, other pan-European MTFs / Recognised Investment Exchanges (RIEs) which currently charge customers on a per transaction model and accept both passive and aggressive market makers. These exchanges have significant market share and could move to copy Aquis' subscription fee model and/or differentiate between passive and aggressive trading. Other competitors to the exchange business are ad hoc OTC trading and Systematic Internalisers ("SIs") which operate off-exchange models and make money through spreads. New technologies such as distributed ledger technology are emerging but have yet to gain ground in trading, clearing and settlement of equities.	Aquis' competitive differentiation is underpinned by its subscription-based model and lack of aggressive trading. This is hard for incumbent exchanges to replicate without significantly impacting their own revenue models which have always been based on a per transaction basis and on charging significant data fees to participants who trade aggressively. Whilst the effects of competitor behaviour can never be fully mitigated, the Company has consistently increased its secondary market trading market share since it was formed. Senior management initiatives to reduce this risk include: consistent monitoring of competitor activity and, maintaining close customer relationships so as to understand their evolving needs, and the acquisition of a primary listing business thereby gaining RIE status. From June 2020 SIs have been forced to follow the same tick size regime as other trading venues which has reduced their competitive advantage for the time being. As a disruptive technology firm, Aquis remains vigilant about changing technologies and how it might embrace them to further its business model.
Intellectual property and data protection	The Group is reliant on copyright, trade secret protection, database rights and confidentiality and licence agreements with its employees, clients and others to protect its intellectual property rights. The Group is subject to a number of laws relating to privacy and data protection, including the UK's Data Protection Act 1988 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 and the EU General Data Protection Regulation (GDPR).	The Group has taken steps that are consistent with industry practice to reduce these risks by establishing controls to protect the confidentiality and integrity of customer information, and these controls are consistently reviewed for their effectiveness at quarterly ARCC meetings.

Strategic Report continued

OPERATIONAL RISKS

Risk	Risk Description	Mitigation
Technology	The operation of the Group is critically reliant on the smooth and efficient functioning of technology. Technological failures would negatively affect clients and the Group's ability to deliver on performance obligations. It could also result in regulatory scrutiny or fines or requirements for further investment. Failure to protect Intellectual Property could mean that competitors gain access to Aquis' technology or make Aquis susceptible to external infiltration. These risks could adversely affect the firm's financial and competitive situation.	A defining feature of the Aquis business model is its high calibre, in-house technology. The technology was built and is maintained by highly skilled employees. Aquis actively seeks to retain the employees through flexible attractive working practices and remuneration policies and to continually enhance the technology to meet client requirements. The Group's key infrastructure, development and operational activities are prioritised accordingly, and resources are closely and consistently monitored and reviewed with the aim to ensure smooth functioning of technology at all times. Aquis technology is securely maintained to protect it from unauthorised access with full back up and version control if remediation is required. Aquis has system control features that are regularly tested to protect data and Intellectual Property (IP). The Group maintains a Disaster Recovery plan that encompasses input from all departments and is continuously monitored and reviewed by appropriately experienced individuals. The comprehensive back up and contingency plans in place are tested regularly. The Board reviews a quarterly dashboard that incorporates technology performance statistics and operational resilience.

Risk	Risk Description	Mitigation
COVID-19	There remains a risk that the COVID-19 pandemic could negatively impact personnel being able to operate the exchanges. There are also risks to clients, liquidity providers, suppliers, markets and the economy in general. It is possible that governments or regulators could impose extraordinary measures such as closures of the market for a prolonged period. Remote working practices across the industry may slow overall technology programs at client and supplier organisations which may have a longer-term impact on Aquis. This could manifest in new members not joining any of the Aquis entities in the anticipated timelines or slower adoption of new products developed by Aquis.	The Group established and successfully implemented a remote working plan. This mitigated against potential resource shortages. The remote working plan operated successfully during 2020 with all employees working primarily from home in accordance with government guidelines. The Group has demonstrated and is confident that it can operate the exchanges remotely for a prolonged period. The Group's clients and liquidity providers have also demonstrated that they can remotely manage their activities successfully. Key suppliers have also successfully adopted disaster recovery procedures. Equity markets were at times during 2020 extremely volatile, experiencing significantly higher than normal volumes. Subsequently markets have become less volatile. During these periods the Company did not experience any outages or delays and the system has proven that it has more than sufficient capacity to operate the market. Aquis is not overly reliant on new members to achieve its growth plans. The main source of anticipated growth in trading is from the increase in volumes of current customers.

Strategic Report continued

Risk	Risk Description	Mitigation
Cyber security	The Group's networks and those of its third-party service providers may be vulnerable to security risks, cyber-attack or other leakage of sensitive data. This could cause outages of the market, create possibilities for attacks which hold Aquis to ransom, cause unintended movements of the company finances or generally create reputational and financial risk.	The Board reviews a quarterly dashboard that incorporates cyber technology monitoring. Regular penetration tests are undertaken by a third party and a new employee cyber-training program was developed to address this issue. Internal exercises to alert employees to the possibility of phishing emails are planned to be held regularly. The MTF has "kill" switches in place which are intended to restrict clients if rogue behaviour is evidenced. The Group takes precautions to protect data in accordance with applicable laws. Extensive risk management protocols are adopted in the IT control framework so as to prevent, detect and respond proactively to cyber security attacks. The comprehensive back up and contingency plans in place are tested regularly.
Key management personnel and employees	The Group has a relatively low headcount and hence is exposed to key person risk. The Group's future development and prospects depend on its capacity to attract and retain key personnel.	The Group has established emergency staffing plans. The ARCC assesses key person risk on a quarterly basis. Aquis employs a number of strategies to ensure the Group is able to attract and retain a high calibre of talent. The Group employs a rigorous recruitment process and offers competitive salaries and benefits, whilst promoting a culture of diversity, high performance and inclusion from the top. The Group continues to position itself as a dynamic and attractive employer for top talent to Board members and junior employees alike.

Risk	Risk Description	Mitigation
Client concentration	The nature of equity financial markets is that the majority of volumes are undertaken by a small pool of market participants. This issue has been increased as some of the smaller market participants have decided to route via larger banks than maintain direct exchange memberships. The Group revenue is therefore dependent on a concentrated number of customers and significant change to one customer's flow could negatively impact revenues.	The Company initially concentrated on connecting to large investment banks, brokers and is now broadening its client base to reduce client concentration but recognises that volumes from smaller participants cannot completely offset the volumes from larger ones. The Company can offset some of the risk of industry concentration through the quality of the exchange offering. The Company seeks to maintain positive relationships with all current and future members and to be vigilant for change at any client. The Group has diversified its business activities to include technology sales, data and market gateways and entering the primary exchange business through the acquisition of AQSE.

Strategic Report continued

Risk	Risk Description	Mitigation
Liquidity provision concentration	In most trading venues globally, there is considerable symbiosis between the venue and the liquidity providers on which the venues rely to make continuous prices and enhance liquidity. In Europe, where there is significant competition between a limited number of trading venues, the ability to attract good liquidity to the venue is critical. The barriers to entry are even higher for new trading venues, which must build liquidity from scratch and differentiate themselves to attract and retain it. Market makers themselves have differing business models and trading strategies; as a result, they may be attracted to different types of venues depending on the value proposition. Aquis has a highly differentiated business model to the incumbent platforms, both dramatically reducing the cost of trading and also not permitting aggressive trading by market makers. This has been a driver of Aquis' success to date. The number of market makers that have trading models currently aligned with Aquis' business philosophy is even more concentrated than on the main markets. Therefore, Aquis has always relied heavily on a small number of key market makers to support liquidity and a wider group to supplement it. These market makers have not always been the same organisations and have changed over time. Nonetheless, it is a risk that if a key market maker decides to change its business model or philosophy it would cause a short-term disruption in the total liquidity provided and could impact Aquis' ability to differentiate itself through the prevention on non-aggressive trading flow.	This risk is mitigated internally through a number of actions and externally through the likely evolution of the structure of the European equity market. Internally, management are working to maintain a close relationship with all market makers to ensure that there continues to be positive synergies for all parties. Aquis is also actively seeking to continue to grow membership and diversify its liquidity providers. As Aquis' market share increases further, more natural liquidity should be attracted thus diluting the concentration risk away from a small number of liquidity providers to a broader set of investor flows. Externally, the market share growth that Aquis has achieved to date is a strong indication of the benefits to its members and liquidity providers and makes it likely that natural liquidity will continue to grow, making the Aquis marketplace deeper and more attractive for all counterparties. Additional liquidity providers are likely to follow over time as they should be incentivised to adapt or create new models that capitalise on Aquis' value proposition and interaction with a wider set of trading flows. The number of liquidity providers in European equity markets is still relatively small today, reflecting the continued need to invest in technology and regulatory oversight. However, as the effects of MiFID II, particularly with its mandate for best execution, continue to reduce competition in liquidity provision the Group's low toxicity model and innovative offerings e.g. The AQSE MM warrant scheme should ensure this issue is effectively countered.
Supplier risk	The Group is exposed to the failure of a key supplier. Examples include loss of data supplied to Aquis which is an important input into the trading platform. This may impact the ability to undertake market surveillance.	Aquis has back up plans in place for key suppliers and has agreed procedures and thresholds in place for managing this when necessary.

FINANCIAL RISKS

The Group's current assets comprise cash and liquid resources including trade receivables arising directly from its operations. The main financial risks are capital, credit, liquidity and foreign currency risks. The Group actively manages the balance sheet and risks without the use of any financial derivatives.

The Group reported its first profit in 2020 demonstrating that it has been able to manage the strategic and operational risks; however future results could be negatively impacted if any of the risks outlined above were to occur. Financial management risk disclosures have been made in Note 7 of the Group Financial Statements accompanying this report.

Viability statement

The Directors have undertaken a detailed review of the Group's prospects, taking account of the Group's current position and principal underlying business risks and its prospects for the period 2021 - 2023. These include considering the impact of the significant slowdown in the global, European and UK economies due to COVID 19 and the possible future negative impact of Brexit. The Directors consider this to be an appropriate period considering the target business and revenue growth, and the objective to maintain and enhance profitability during this period.

The Group maintains a strong equity capital position which has been strengthened during 2020 as profitability has been achieved. This result is complemented by the Group achieving and in certain areas exceeding its strategic goals. In taking account of its profitability and ability to execute successfully its principal strategic objectives and operating goals during extraordinarily challenging circumstances, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

This assessment has concentrated in particular on the key differentiating factors that the Group has established, the quality and resiliency of the Group's technology, the brand and market position, and the reputation and quality of the experience of its key personnel resources.

This Strategic Report was approved by the Board of Directors on 30 March 2021 and is signed on its behalf by:

Alasdair Haynes
CEO

Jonathan Clelland
CFO

Directors' Report

The Directors of Aquis Exchange PLC are delighted to present their report to shareholders and other stakeholders, together with the audited consolidated financial statements for the year ended 31 December 2020 with comparatives for the year ended 31 December 2019.

Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Executive Directors	Non-executive Directors
Alasdair Haynes CEO Appointed to the Board March 2012	Niki Beattie Chair Appointed to the Board January 2013
Jonathan Clelland CFO Appointed to the Board October 2012	Richard Bennett Senior Independent Director Appointed to the Board March 2014
	Mark Spanbroek Appointed to the Board March 2013
	Mark Goodliffe Appointed to the Board March 2018
	David Vaillant Appointed to the Board June 2020
	Deirdre Somers Appointed to the Board October 2020

Directors' Appointment, Removal and Duties

The Board of Directors has the authority to appoint and remove a Director. Directors' appointments are subject to shareholder approval annually.

The Company has recruited Directors that it considers have the knowledge, skills and diversity of experience expected of a director in that role including specialist financial, accounting and legal knowledge.

Directors have continued to act, throughout the year, in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of all its stakeholders.

The Directors recognise that they must avoid any situation where they have or can have an interest that directly or indirectly conflicts with or may conflict with the Group's interests. Directors are required to confirm at every Board meeting, if applicable, the nature and extent of any interest they may have in any transaction or arrangement to which the Group is or may be a party.

In addition, the Directors have exercised independent judgement throughout the year and can confirm that they have not accepted any benefit (for example gifts or inducements) from third parties arising from their position as a director which were intended to induce the director to act in a certain way.

Board Committees

The Board has established two committees: The Audit, Risk and Compliance Committee ("ARCC") and the Nominations and Remuneration Committee ("N&RC").

The ARCC has been chaired by Mark Goodliffe since June 2018. Mark Spanbroek is the other committee member. Mark Goodliffe and Mark Spanbroek have considerable accounting, risk and compliance experience, and both have previous Audit Committee experience which includes financial reporting and internal control reviews.

The ARCC is responsible for reviewing a wide range of matters, including reviewing the annual financial statements, oversight of the relationship with the external auditors, internal audit reports, compliance submissions, MLRO reports, risk assessments and ICAAP assessments. A summary review of the ARCC's activities is presented to the Board by the chair of the ARCC on a quarterly basis and minutes are made available to the Board.

The management team is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of management and employees are understood and adhered to throughout the Group. The ARCC supports and provides guidance on this area. This is achieved through adherence to the Group's core values, annual compliance training and whistleblowing policy.

The ARCC meets at least 4 times per year. The ARCC advises the Board on the appointment of external auditors and on their remuneration for the audit work, and discusses the nature, scope and results of the audit with the external auditors.

The ARCC has established a comprehensive assessment of the internal and external risks which could adversely affect the Group and actively assesses the potential impact and mitigating factors, if applicable. These risks are reviewed quarterly by the ARCC.

The N&RC is chaired by the Senior Independent Director Richard Bennett. The other members of the N&RC during the year were Niki Beattie and Glenn Collinson. In March 2020 Glenn Collinson stepped down from the Board of the Company and membership of N&RC and was appointed to the Board of AQSE. Glenn Collinson was reappointed to N&RC at the June Board meeting. The Executive Directors and other senior personnel may be invited to attend meetings when appropriate to provide advice.

The N&RC is responsible, inter alia, for assessing the skills of the Directors, succession planning for the Board, its Committees and Executive Committee, identifying and selecting candidates as required as well as assessing and reviewing the remuneration packages of the Directors and other members of the Executive Committee. It also approves the high-level remuneration packages for all other employees. It makes proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. All Committee decisions on these matters are recommended to the Board for approval.

Minutes of N&RC meetings are made available to the Board and a summary review of the N&RC's activities is presented to the Board by the chair of the N&RC on a quarterly basis.

The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board.

The N&RC supports the ongoing development of the Board and the Executive team to ensure that the Group retains and recruits the best talent for its needs and supports the Board in its work to secure the long-term health of the Group and its strategy for success in a fast-changing world.

The remuneration of the Executive Directors is designed to attract, motivate and retain Directors of the calibre necessary to effectively execute the strategic objectives of the Group and to enhance shareholder return. The remuneration packages are designed to reflect the success of the Group's performance while maintaining a balance between short- and long-term performance and reward.

In addition to the two Board committees, Aquis has created an Executive Committee (Exco) to help facilitate day-to-day administration management. Exco was expanded during 2020 and consists of the Chief Executive Officer, Chief Financial Officer, Chief Executive Officer of AQEU, Head of Group Compliance, Chief Technical Officer, Head of AQSE Regulation and the Head of Technology Sales.

Governance Summary

Directors' Board and committee attendance during 2020 is summarised below:

Director	Board	ARCC	N&RC
Niki Beattie	6/6		5/5
Alasdair Haynes	6/6		
Jonathan Clelland	6/6		
Richard Bennett	6/6		5/5
Mark Spanbroek	6/6	4/4	
Mark Goodliffe	6/6	4/4	
David Vaillant	5/5		
Deirdre Somers	1/1		

Results

The Group made an operating profit before interest, depreciation, amortisation and taxation for the year of £1,521k (2019: operating loss of £9k).

After taking into account interest, depreciation and amortisation the Group made a profit before tax of £470k (2019: loss before tax of £93k).

There were no discontinued operations in the current or previous year.

Dividend

The Directors do not recommend the payment of a dividend.

Future developments

The Group has made significant progress in both its exchange and technology licensing activities during 2020 with growth in revenue, numbers of clients, client pipeline and market share despite an extremely challenging market environment.

Third party analysis shows that Aquis Exchange is consistently offering deeper liquidity at the best price than many other competing platforms. The potential for new customers continues to increase as the trading opportunities on the Aquis Exchange become more widely recognised, as does the opportunity for increased trading volumes. Several firms who are focused on best execution have already increased their activities on Aquis Exchange and it is anticipated that others will follow during 2021.

With a proven business model and potential improvements in the economic landscape post COVID-19 and Brexit, the Board considers that it is important to invest to support the long-term success of the business. The Company intends to further invest in sales resources, finance and technology in London and Paris during 2021 and thereafter, to take advantage of the scope for significant long-term sales and value creation for shareholders.

Directors' Report continued

Licensing activities continue to grow across a range of asset classes as the Group's brand and reputation strengthens, and regulatory changes generate new requirements for investment banks, brokers and trading companies. In addition, the continued growth in the Group's exchange activities helps promote the quality of the technology and assist in generating technology licensing opportunities internationally and across different asset classes through Aquis Technologies.

The completion of the acquisition of AQSE has helped to support the long-term vision of Aquis which is to be "The leading technology-driven exchange services group", adding primary markets capability to the growing secondary markets and technology licensing activities capability with an established issuer base for a cost-effective capital outlay.

Whilst management had not anticipated this strategic goal to be met so early on in the life of the Group, it was always the intention of the Directors to establish RIE status, to enable listings in the medium to long term and the Directors consider it a great result to have been achieved at this juncture. The original strategy was to concentrate on the secondary market and licensing activities, and then in due course to establish primary market capabilities; however, acquiring AQSE provided Aquis the opportunity to achieve this goal ahead of schedule.

The Directors are also conscious of the fact that the acquisition also offers a hedge against any adverse regulatory developments which may occur as the impact of Brexit unfolds during 2021 and thereafter, in particular in the event that equivalence status be provided to RIEs and not to MTFs, which would have had a materially adverse effect on Aquis pre-acquisition.

Audit information disclosure

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware, and the Directors have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

Pension obligations

The Directors can confirm that at 31st December 2020 there were no qualifying third-party indemnity provisions or qualifying pension scheme indemnity provisions, for the benefit of Directors of the Group or Directors of associated companies and that such provisions were not in force during the financial year.

Political contributions

The Directors can confirm that no political contributions were made during the year.

Post balance sheet events

The COVID-19 pandemic has caused considerable health and economic uncertainty and significant market volatility and volumes. Notwithstanding the significant adverse effect this has had on the economy the Directors have assessed this remains a non-adjusting post balance sheet event given that, at the balance sheet date, whilst it is possible that this may have an adverse effect on the Group at this stage the Directors do not believe it will be material.

Brexit was concluded at the end of 2020. The terms of the exit agreement did not include the financial services industry and so equivalence with the EU has ceased. The Group has put measures in place through the creation of AQEU to ensure that it can continue to offer trading across the EU.

The Directors can confirm that there were no other significant post-balance sheet events.

Research and development

The Group is committed to continue to invest in research and development to enhance the quality, efficiency, effectiveness and breadth of its technology. The Group has made significant progress through the course of the year transitioning AQSE onto the Aquis Exchange technology platform and through enhancing the core matching engine. In addition, the Group, through Aquis Technologies, has delivered and/or been mandated to deliver, technology solutions to clients across a number of different asset classes. This progress reflects the quality and market reputation of the Group's technology which is underpinned by the significant investment in research and development.

Subsidiary companies / Associates / Branches outside the UK

The Company established a subsidiary company in France: Aquis Exchange Europe SAS and this subsidiary company received regulatory approval to operate as an MTF from the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in March 2019. It is the intention that this subsidiary company will drive the European growth aspirations of the Group and positions the Group well to accommodate the post Brexit outcome. Aquis does not have any other subsidiaries, associate companies or branches outside the UK.

Share Capital Structure

Aquis Exchange PLC is listed on the AIM market of the London Stock Exchange. The Company has 27,169,696 ordinary shares of 10p each in issue (31st December 2019: 27,149,559). The shareholders with a significant holding (more than 3.0%) in Aquis at 31st December 2020 were as follows:

XTX Markets	9.6%
Mr G Roveda	9.4%
Mr R Ricci	7.9%
Canaccord Genuity Wealth Management	5.5%
Mr A Haynes	5.5%
Kendall Capital Markets	5.0%
Schroder Investment Management	4.3%
Rathbone Investment Management	4.1%
J O Hambro	4.1%
Chelverton Asset Management	3.5%

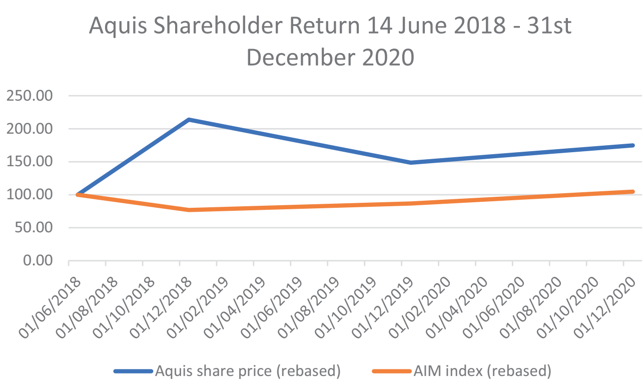
At 31st December 2020 there were no securities carrying special rights and no restrictions on voting rights. At 31st December 2020, 2,067,551 shares representing 7.6% of the total issued share capital held by the Directors were restricted and not in public hands.

The Company operates an Employee Share Incentive Plan (SIP). The voting rights of the shares held in the SIP trust are managed and controlled by the SIP trustee.

There are no significant agreements that would alter or terminate on a change of control of the Company and no agreements with Directors or employees for compensation for the loss of office or employment that occurs because of a successful takeover of the Company.

Shareholder return

Aquis shareholders' return for 2020 amounts to 17.0% compared to the AIM market of the London Stock Exchange which reported a return for the same period of 19.6%.



Source: London Stock Exchange

Professional development programs

The Company supports the continued development of the Directors. This is achieved through attendance at in-house presentations. It also runs technical and management development training programs for employees.

Corporate Governance

The Board continued to apply the UK Corporate Governance Code (the "Code") recommendations on stakeholder engagement during the year. It focused on active interaction with stakeholders, information on which is set out in further detail in the Strategic Report.

The Directors have implemented appropriate measures, as stated in the Strategic Report to comply, so far as practicable, with the Code.

The Group's Corporate Governance Statement outlining all of its governance policies and including its commitment to the UK Corporate Governance Code is available from the Company Secretary or in the corporate governance section of the Group's website at: https://www.aquis.eu/investors/corporate-governance/.

Employees

Details on the Company's approach to employee engagement and human rights and diversity is given in the Strategic report on page 16, and information on the Share Incentive Plan (SIP) can be found in the N&RC report.

Diversity policy

The Group has adopted a Diversity and Inclusion policy which is set out in more detail in the Strategic report on page 15.

Environment

The Directors recognise the broader Group's responsibility to consume resources in a manner that ensures the long-term sustainability of the business and the environments in which it operates in.

Although the Group has a relatively small resource base and associated office space, the Group recognises that it creates carbon emissions from energy, waste and water in its offices as well the data centres, staff travel and indirectly through the supply of our office hardware. Details of the initiatives that the Group has adopted in its efforts to reduce the impact of this carbon footprint is included in the Strategic Report on page 16.

Principal risks and uncertainties and risk management policies and objectives

The principal risks and uncertainties of the Group, together with mitigating actions taken, are detailed in the Strategic Report from page 18.

In addition, the financial risk management disclosures have been included in Note 7 in the Group Financial Statements accompanying this report.

Financial reporting process – internal control and risk management systems

The Group has established review processes, internal controls and risk management systems in relation to the financial reporting process.

Aquis has recruited a Board with the relevant financial and other complementary skills to exercise oversight over the reporting, assessment and use of the Group's financial information and to provide robust challenge to management. The principal committee which oversees this area is the ARCC.

The credit risk levels associated with Aquis' exchange members are considered very low on average given that the clients are large financially secure financial institutions who are invoiced monthly; however, in order to ensure that Aquis reviews and manages the business risks effectively, management maintain a risk register which addresses all the identified business risks which is reviewed and assessed by the ARCC on a quarterly basis. The majority of the technology licensing clients are less established businesses and are therefore monitored on an individual basis.

Directors' Report continued

The financial statements are subject to external audit before being reviewed and approved by the Board prior to shareholder approval.

Aquis prepares monthly management accounts and a quarterly dashboard which is presented to the Board. The management accounts consist of actual monthly profits or losses compared with Budget, Balance Sheet, variance commentary and forecast regulatory capital surplus and cash flow for the rest of the calendar year. The quarterly dashboard includes an analysis of operational statistics and analyses, compliance and regulatory developments, marketing-initiatives and financial performance reviews and projections.

All new exchange members, software licences and expenditure are authorised by the Chief Financial Officer (CFO). New exchange members or clients of Aquis Technologies are subject to Know Your Clients (KYC) and Anti-Money Laundering (AML) checks by the Aquis compliance department. All software licences are reviewed and approved by the CFO who also authorises all client invoices.

Aquis utilises an external provider for the internal audit function. The ARCC approves the departments and functions that are audited. All key operational departments and / or functions are audited within a 3-year period.

Any issues raised by the external audit team will be communicated to, considered by and logged by the ARCC. The external and internal audit team are granted access to ARCC and Board papers and any issues identified by the external audit team will be communicated to the internal auditors by the CFO.

Aquis has established a Disaster Recovery crisis team and clear Disaster Recovery plans which are tested regularly. The plans focus on the exchange functionality and Aquis' ability to ensure trading activities can continue under any circumstances and providing support as required for technology clients. Initiation of the disaster recovery plan is authorised by either the CEO or the CFO. The crisis management plans include the ability to manage activities from home and/or the requirement to take on new premises (temporarily or, if necessary, permanently) and include the ability to access all systems including Aquis' financial systems.

Access to IT networks, equipment, storage media and program documentation is restricted to authorised individuals. All Aquis information is stored in secure dedicated data centres. Access to the data centres is restricted. All information is password controlled and the IT infrastructure department monitor system usage. Access to IT systems, programs, master data, transaction data and parameters and to processing in web-based or web-enabled financial systems is restricted and password controlled.

Aquis has clearly defined whistleblowing policies which are set out in the Staff Handbook which is distributed to all employees when they join the Group. The whistleblowing policies are also included in the compliance training program which all employees undertake annually. These policies include escalation of problems and concerns to senior management and the monitoring of how these are addressed. The policies provide clear guidance on reporting concerns including if required to the Chair. Alternatively, employees can report concerns directly to the FCA.

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

The Directors' Report was approved by the Board of Directors on 30 March 2021 and is signed on its behalf by:

Alasdair Haynes
CEO

Jonathan Clelland
CFO

Audit, Risk and Compliance Committee Report

This report is intended to give an overview of the role and activities of the Audit, Risk and Compliance Committee ("ARCC") in assisting the Board to fulfil its oversight responsibilities relating to systems of internal control and risk management, the independence and effectiveness of the external auditors and the integrity of the Group's financial statements. It details the activities, discussions and decisions that enabled the ARCC to fulfil its responsibilities effectively during the financial year ended 31st December 2020.

Composition and meetings

The ARCC members as at 31st December 2020 were Mark Goodliffe and Mark Spanbroek. The ARCC has been chaired by Mark Goodliffe, a qualified chartered accountant (ICAEW) and independent non-executive director, since June 2018. The Group considers that the ARCC members' qualifications and experience enable it to comply with the audit committee composition requirements.

The Chief Executive Officer, Chief Financial Officer, Group Head of Compliance, Group Head of Surveillance and Group Financial Accountant are standing invitees to all ARCC meetings.

The role and responsibilities of the ARCC

The ARCC was created in 2013 and the Terms of Reference ("ToR") of the ARCC comply with the AIM market admission requirements. The Board undertakes an annual evaluation of the ToR which includes an assessment of the ARCC performance.

The principal role and responsibilities of the ARCC are:

- Financial reporting: review of the financial statements and oversight of the relationship with the external auditors and the external audit process;
- Internal audit: monitoring and reviewing the effectiveness of the Group's internal auditors and internal controls, including planning over a 3-year period the internal audit schedule and annual audit reviews;
- Risk assessment: quarterly risk assessment assessing all internal and external business risks and mitigation thereof; and
- Compliance: quarterly compliance review.

Further details on the functions and responsibilities of the ARCC and also the N&RC can be found in the Corporate Governance Statement available from the Company Secretary or in the corporate governance section of the Group's website at: https://www.aquis.eu/investors/corporate-governance/.

2020 Activities

The ARCC maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at each meeting. The agenda for each meeting during 2020 was determined by the key events of the annual financial reporting cycle, the risks identified by the Committee and the standing items under the ToR.

The Committee concentrated on maintaining an effective working relationship with the external auditors, including monitoring their independence and effectiveness and reviewed the scope of the external audit and agreed the key areas of focus with the external auditors. PricewaterhouseCoopers LLP ('PwC') were appointed as external auditors in August 2018 following an audit tender process. The intention is to review the appointment after 3 years in 2021, and if the ARCC deems appropriate, the audit will be put to tender again. PwC does not provide non-audit services to the Group except for the Client Money and Custody Asset Assurance Report (CASS) audit. The PwC audit partner for both the current and preceding audit is Mike Wallace.

In addition to maintaining the relationship with the external auditors, the ARCC discharged its responsibilities by / through the following:

- The Group appointed Grant Thornton as its internal auditor in 2013. The ARCC reviews the internal audit reports in detail and when circumstances allow, meets Grant Thornton annually to assess the quality and effectiveness of the internal audit process and management responses to the internal audit recommendations;
- Reviewed and monitored principal internal and business risks and associated mitigative management actions on a quarterly basis. This process includes analysing and assessing emerging risks as well as monitoring existing previously identified risks;
- Assessed the ICAAP annually;
- Considered operational risks, cybersecurity risks and technology resilience. This includes an annual review of the effectiveness of risk management and internal control systems;
- Reviewed and monitored compliance, surveillance and regulation developments on a quarterly basis; and
- Monitored final preparations for Brexit, which included the operational setup of Aquis Exchange Europe SAS.

Priorities for the 2021 financial year will include:

- Continued monitoring of key processes such as business continuity planning and risk assessment, disaster recovery and cybersecurity monitoring programmes;
- Monitoring the quality and effectiveness of the support services provided to AQEU and AQSE across all departments;
- Monitoring the progress of any management actions recommended by PwC within their letter to Those Charged with Governance;
- Continuing to assess the impact of developments in accounting standards and the related implementation;
- Continuing to monitor compliance, surveillance and regulatory developments;
- Continuing to monitor progress on the key projects of the Group;
- Continuing to monitor the effect of the COVID-19 pandemic on the Group and its customers, and make appropriate plans; and
- Continuing to monitor Brexit developments and the implications of it on the business.

Nomination and Remuneration Committee Report

The Board recognises that Aquis operates within a competitive environment and that Group performance depends on the individual contributions to investors of the Directors and employees. It believes in rewarding financial performance and long-term vision and innovation that will help grow the Group.

The N&RC believes that the current composition of the Board and its Committees is appropriate to meet the Group's business, regulatory and governance objectives; however, it will continue to keep the composition of the Board under regular review in order to assess the range of skills and capabilities of the Board for their relevance to the execution of the Group's strategy and regulatory responsibilities.

The N&RC supports the ongoing development of the Board and the Executive team to ensure that the Group retains and recruits the best talent for its needs and supports the Board in its work to secure the long-term health of the Group and its strategy for success in a fast-changing world. During the year the N&RC considered the likely business needs of the Group and its existing executive management capability and took action where appropriate. The Board adopted a revised Independence Policy and assessed the independence, effectiveness and commitment of each of the Non-Executive Directors. It also reviewed the skill sets of the Non-Executive Directors and, with a view to succession planning for both the Chair and some Non-Executive Directors, recruited an additional Non-Executive Director. It was satisfied with the contributions and time commitment of all the Non-Executive Directors during the year.

At the Annual General Meeting all the Directors will stand for re-election with the support of the Board.

This year the Group appointed a specialist consulting firm, Board Excellence, to undertake an external Board evaluation. Board Excellence do not have any other connection or relationship to the Group or any individual directors. The evaluation required each Director to complete an online questionnaire and undertake individual interviews with the evaluator. The questionnaire and interviews focused on matters such as the Board's performance and collective judgement, the performance of each of its Committees, the Board's focus on strategy, innovation and risk and the relationship between the Non-Executive and Executive Directors. The questionnaire included open questions that encouraged Directors to provide comments or enabled them to raise any concerns. In addition, Board Excellence observed the December Board meeting and meetings of both Board committees. The Board believe that this evaluation will help with its evolution and succession planning. The output of the review was provided to the Board for discussion and a plan is being actioned to follow up on the recommendations.

The external Board evaluation also covered the Chair's Leadership and the Chair-CEO relationship and the overall Board dynamics. It made some observations and recommendations but specifically stated that the Chair enjoyed strong support from the Non-Executive Directors. Separately the Senior Independent Director invited all Directors and Board Committee members to complete a questionnaire with their own assessment of the Chair's contribution, effectiveness, leadership and performance and the Chair completed her own self-assessment. The Senior Independent Director subsequently discussed the observations and the assessments with the Chair and any additional recommendations are being addressed as part of the post Board evaluation action plan.

The Board is committed to equality and diversity throughout the Group and seeks to ensure a diverse and talented workforce is attracted and retained through appropriate recruitment and selection processes. The Group has adopted a Diversity and Inclusion policy which is set out in more detail in the Strategic Report on page 15. In 2020 the Group has prepared resourcing targets taking account of industry benchmarks and has made significant progress towards improving the diversity ratios.

In 2019 the Company instructed FIT Remuneration Consultants LLP to advise on the remuneration structure and the Directors Remuneration Policy. Proposals were discussed with key shareholders and applied as set out in the Directors Remuneration Report for 2019. The following Directors' Remuneration Report for 2020 explains that the Board has not made any changes to the 2019 Policy or structure or the manner in which discretionary awards are calculated and made to Executive Directors so that in summary:

- the arrangements remain transparent to shareholders and the workforce;
- the structure continues to be simple and the methodology is easy to understand;
- the discretionary annual cash bonus and the share awards to Executive Directors continue to have underpin provisions as well as Clawback and Malus provisions as described in more detail so as to mitigate behavioural risks that could arise from target based incentive plans; and
- the Directors Remuneration Report also explains the range of possible values of awards to the Executive Directors and how the discretions were applied in 2020 and how the Directors Remuneration Policy will be applied in 2021.

The Group uses specialist recruitment agencies for all recruitment opportunities for the Board and employees. In 2020 the Group engaged an agency, Sainty Hird and Partners (SHP), in connection with the recruitment of the additional Non-Executive Directors for both Aquis and Aquis Stock Exchange. SHP do not have any other connection to the Group or any individual directors. Roles are also advertised on the Aquis' website and the N&RC provides oversight to ensure that the recruitment process is aligned to Aquis' policies on equality and diversity.

Directors' Remuneration Report

Annual Statement

Dear Shareholder,

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 December 2020. This report includes (i) this Annual Statement which summarises the main decisions taken by the Nomination & Remuneration Committee (N&RC) during 2020 including the incentive outcomes for 2020, (ii) the Directors' Remuneration Policy Report which was introduced last year and sets out the structure of Directors' pay packages, and (iii) the Annual Report on Remuneration which sets out in more detail the payments and awards made to the Directors during 2020 and how the Policy will be operated for 2021.

At the 2021 Annual General Meeting there will be a single remuneration-related resolution presented, being the normal annual advisory vote on the Directors' Remuneration Report.

Work of the N&RC during the year

The main activities during the year (full details of which are set out in the relevant sections of this report) included:

- Assessing the skills of the Non-Executive Directors, reviewing the succession plan for the Board and senior executive and identifying and selecting candidates for a new appointment to the Board. The Board composition is described in the Directors' Report;
- Determining changes to Executive Directors' and senior executives' base salaries effective from 1 January 2021 in the context of salary changes across the Group
- Annual cash bonus:
  - Assessing performance versus the targets and agreeing the payouts to the Executive Directors and other senior executives under the 2020 Executive Cash Bonus Plan;
  - Reviewing and agreeing the proposals for the 2021 Executive Cash Bonus Plan for the Executive Directors and other senior executives;
- Long term incentives:
  - Confirming the terms and making the grant of restricted share awards to the Executive Directors and other executives in June 2020 under the Aquis Exchange Omnibus Share Plan;
  - Reviewing and agreeing the restricted share awards to be granted to Executive Directors and other senior executives in 2021 under the Aquis Exchange Omnibus Share Plan;
- Reviewing the fees of the Chair and other Non-Executive Directors

Throughout the year, the N&RC has continued to work to ensure policy and practices remain consistent with the relevant provisions of the 2018 UK Corporate Governance Code.

Discretion

The Group is satisfied that the Remuneration Policy operated as intended during 2020 versus the performance of the Group and no discretion has been applied in respect of remuneration outcomes.

Executive Directors' Remuneration in 2020 and comparison with Group Performance

Summary of 2020 performance

The Group has performed very well during 2020, making significant financial and strategic progress despite the most challenging economic conditions arising from the Coronavirus pandemic. Aquis did not have to take advantage of any government assistance and did not reduce the number of employees as a result of COVID-19. There has been very good revenue growth and the Group was profitable for the first time for the year as a whole. Aquis Stock Exchange was rapidly and successfully integrated into the business after the acquisition was completed earlier in the year. Immediately following the end of the year, upon expiry of the Brexit transition period on 31st December, more than 99% of continuous trading volume of EU27 equities switched from Aquis Exchange's platform in the UK to Aquis Exchange Europe SAS, its regulated subsidiary in France. This was achieved without any loss of service or other incident.

Executive Directors' 2020 annual cash bonus

The Executive Directors' discretionary annual cash bonus for 2020 was determined by the achievement against a set of performance targets. The N&RC ensures performance targets, agreed at the start of the performance period, are sufficiently challenging. In 2020, for both Executive Directors, 70% of the achievable bonus was determined against Group Financial Key Performance Indicators (KPIs) and 30% was determined against strategic, non-financial objectives.

Against the Group Financial KPIs, the performance was very strong with the revenue target exceeded and the profit target significantly exceeded. When combined with performance against the strategic, non-financial objectives, the Board determined that cash bonuses of 54.4% of salary should be payable, resulting in a cash bonus of £135,896 for Alasdair Haynes and £127,742 for Jonathan Clelland. These bonuses are paid in the April 2021 payroll. Further details of the measures, targets and bonus outcomes are set out in the Annual Report on Remuneration.

Executive Directors' vesting during 2020 of share-based awards under previous long term incentive plans

Only previous awards that are subject to time-based vesting, with no performance conditions attached, vested during the year. Full details on the vesting status of all share plan awards for the Executive Directors are set out in the Annual Report on Remuneration

Implementation of Policy in 2021

Executive Directors' base salaries from 1 January 2021

The Board have decided to maintain the Executive Directors salaries for 2021 at the same level as in 2020. Therefore, Alasdair Haynes' base salary will remain unchanged at £250,000 p.a. and Jonathan Clelland's base salary will remain at £235,000 p.a. This is in the context of increases provided to the general workforce of on average around 3%.

Executive Directors' 2021 Annual Cash Bonus Plan

The N&RC conducted a full review of the Executive Annual Cash Bonus Plan last year and for 2021 it has decided to make some changes:

- The maximum bonus opportunity will continue to be 80% of salary and half of the maximum will be payable for on-target performance;
- 70% of the bonus will be based on stretching Group Financial KPIs and 30% on strategic, non-financial objectives. In 2021 66.6% of the Group Financial KPIs (previously 50% in 2020) will be measured against revenue and 33.3% (previously 50% in 2020) will be measured against Profit Before Tax (as opposed to Operating Profit);
- As an underpin, a minimum level of profit must be achieved before any payment can be made against the financial element of the Annual Cash Bonus Plan. There is no formal underpin for the strategic, non-financial objectives but the N&RC and Board will retain discretion to reduce (including to nil) annual cash bonuses based on non-performance against strategic, non-financial objectives if it determines, in exceptional circumstances, acting reasonably in the best interests of the Company, that the overall circumstances cannot justify it.
- There are Recovery (Clawback) provision in exceptional circumstances

Further details of the structure of the 2021 Executive Directors' Annual Cash Bonus Plan are included in the Annual Report on Remuneration.

Executive Directors' Awards in 2021 under the Aquis Exchange Omnibus Share Plan

As set out in last year's report, the first award under the Aquis Exchange Omnibus Share Plan was made in 2020 in the form of restricted shares. The N&RC considered carefully whether to retain the restricted share structure or grant performance shares in 2021. Given the continued difficulty in setting robust three-year financial targets, it was decided to again grant restricted share awards but to enhance the Underpin that for the restricted shares to vest in 2024 the profitability of the Group must not decrease below the level in the 2020 financial year. It also decided that the awards should be at the same level as last year as per the Remuneration Policy and since the share price at the time of the grant is expected to be higher than in June 2020 this award will be for restricted shares with a value of 65% of base salary for both for Alasdair Haynes and Jonathan Clelland. These awards will be granted shortly after the Annual General Meeting on the last trading day in April, consistent with the Group's share dealing policy. Further details are provided in the Annual Report on Remuneration.

Shareholder Engagement

During 4Q2019, members of the N&RC conducted an extensive consultation with major shareholders on the Remuneration Policy, including with all shareholders who held more than 2% of the total equity in the Company (not including the Company's Board directors). As no substantial changes are proposed to the Remuneration Policy this year, the consultation process was not repeated in 2020. It is the N&RC's firm commitment to continue a wide engagement with the shareholders on remuneration issues going forwards.

Finally, I would like to thank our shareholders and I hope we can continue to rely on their support at our Annual General Meeting on 27 April 2021.

Richard Bennett

Richard Bennett
Nomination and Remuneration Committee Chairman

30 March 2021

Remuneration Policy

Executive and Non-Executive Directors' Remuneration Policy

The Aquis Directors' Remuneration Policy was adopted in 2020 following an extensive shareholder consultation exercise undertaken in 2019. Its purpose is to motivate Executive Directors and employees appropriately in the context of the Group's objectives and culture and to ensure it is aligned with shareholder interests. The policy encourages compliance with the requirements and standards of the regulatory system, whilst taking care to avoid encouraging behaviours which may lead to conflicts of interest and potentially damage the best interests of its members/clients. It is not the intention to bring employees into conflict with the regulatory regime through inappropriate remuneration policies.

For Executive Directors and other senior executives Aquis operates a remuneration structure comprising salary, benefits, annual cash bonus and a long-term incentive comprised of annual grants of either restricted shares or performance shares under the Aquis Exchange Share Omnibus Plan adopted in 2020. All long-term incentive awards under this Policy will vest after three years based on continued service and the achievement of underpin tests and thereafter are subject to a 2-year holding period with associated withholding (malus) and recovery (clawback) provisions.

The key advantages of restricted shares are:

- It reduces uncertainties created from trying to forecast a realistic 3-year financial target at this stage of the Group's development;
- It helps to create a simple pay structure;
- It provides a structure which promotes genuine long-term alignment and stewardship of the share price; and
- It reduces the potential quantum relative to a more highly leveraged 'traditional' performance share plan (as fewer restricted shares will be granted in comparison to a comparable award of performance shares).

In addition, the Group continues to take a prudent approach to the positioning of salaries and cash bonus potential relative to market comparisons. The Group has concluded that this remains the right approach as it continues to invest in the business.

The table below provides a summary of the proposed Remuneration Policy for Executive Directors:

Element	Purpose	Operation	Maximum	Performance
Base salary	Recruit and retain executives of a high calibre. Reflects an individual's experience, role and performance. Prevents unnecessary risk taking	Salaries are paid monthly. They are reviewed annually and normally fixed for 12 months commencing 1 January. In deciding appropriate levels, the Board considers: • the role, experience, responsibility & performance of the individual, • increases applied to the broader workforce and • relevant market information for similar roles in broadly similar UK listed companies and companies of a similar size. The Board considers the impact of any salary increase on the total remuneration package prior to awarding any increases.	There is no maximum. Board is guided by average increases across the workforce. However, higher % increases may be awarded on occasion, for example (but not limited to): • Where an individual is promoted or has been recruited on a below market rate; or • In relation to a change in size, scale or scope of an individual's role or responsibilities or in the size or complexity of the business or where salaries have fallen significantly below mid-market levels.	N&RC reviews the salaries of Executive Directors each year taking due account of all the factors described.

Remuneration Policy continued

Element	Purpose	Operation	Maximum	Performance
Benefits	Recruit and retain executives of a high calibre.	Benefits include: • Private health cover (individual and family), permanent health cover and life assurance cover. • Executive Directors are also eligible to participate in any all-employee HMRC approved share schemes, on the same basis as other employees. • Any reasonable business-related expenses can be reimbursed if determined to be a taxable benefit. • Relocation or related expenses may be offered including tax equalisation to ensure the executive is no better or worse off. • Executive Directors may be offered other benefits if considered appropriate and reasonable by the N&RC.	There is no maximum as costs may vary in accordance with market conditions. HMRC tax-approved limits will apply to all share schemes.	N/A
Pension	To provide retirement benefits in line with the overall Group Policy.	Executive Directors as well as other staff are eligible to receive employer contributions of 5% of base salary to the Group's Pension Plan (which is a defined contribution plan)	The current Executive Directors have elected not to participate in the Group Pension Plan. New Executive Directors in the future, who participate in the Group Pension Plan, will receive employer contributions which are in line with those given to the majority of the Group's workforce.	N/A

Element	Purpose	Operation	Maximum	Performance
Annual cash bonus	To incentivise the achievement of annual financial and/or strategic business targets, appropriately stretching, in line with shareholder interests.	Participation in the bonus plan is at the discretion of the Board. Bonus payment is determined after the year end, based on performance against targets set prior to the start of each year. For Executive Directors, bonus payments are paid in the April after year end and after the announcement of the financial results for the year. Bonus payments are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct -see below for more details.	An overall maximum of 80% of salary will apply.	Performance metrics are selected annually based on the Group's strategic objectives. The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets, tailored each year to reflect business priorities. Outcomes will be based on the achievement of financial measures (e.g. revenue, profit), representing a majority of the bonus with a minority (up to 30%) on key strategic objectives. For financial measures, a sliding scale of targets is set by the N&RC, taking into account factors such as the business outlook for the year. Nothing is payable for performance below a minimum level of performance. Where non-financial targets operate, it may not always be practicable to set targets on a graduated scale. Where these operate, not more than 25% will be payable for achieving the threshold target. The metrics, and proportion of bonus that can be earned against each metric, will be disclosed in the Annual Report on Remuneration each year for the following year. The calculation of the annual bonuses from the actual performance achieved against each bonus target will be described retrospectively each year in the Annual Report on Remuneration.

Remuneration Policy continued

Element	Purpose	Operation	Maximum	Performance
Long Term Incentives	Incentivises Executive Directors and senior executives to achieve successful execution of business strategy over the longer term. Aligns the interests of the Executives, senior staff and shareholders. Also helps to provide long-term retention.	Participation and individual award levels will be determined annually at the discretion of the Board within the Policy. Awards are normally granted annually in the form of nil cost options under the Aquis Exchange Omnibus Share Plan. Award levels will be subject to the individual limit and will take into account matters such as market practice, overall remuneration, and the performance of both the Group and the Executive being granted the award. Awards normally vest after three years subject to continued employment. A holding period will apply under which all participants are required to retain their net of tax vested awards for two years post vesting. A dividend equivalent provision allows the Group to pay dividend equivalents, at the Board's discretion, on vested awards (in cash or shares) up to the point of exercise or sale (but no later than the expiry of the holding period). This may assume the reinvestment of dividends on a cumulative basis. Awards are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct – see below for more details.	Maximum grant level of 65% of salary in the form of restricted shares for current Executive Directors (and an overall policy limit of 100% of salary to be used in cases such as recruitment). Under the Aquis Exchange Omnibus Share Plan, it would be possible to grant Performance Shares with a maximum grant of up to 130% of salary for 2021 onwards although the current intention is to make Restricted Share awards only. The N&RC will consult first with shareholders if it wishes to issue Performance Shares in the future.	Restricted Share awards will be share based and will vest three years after grant subject to continued employment. No performance conditions will apply although appropriate underpins will operate. The underpins will be set prior to grant and it is envisaged that they will always include thresholds relating to an assessment of financial progress, maintenance of regulatory capital and compliance. Details of the underpins will be disclosed in the Annual Report on Remuneration in the year of each award. In future years, if the Board decides to grant Performance Shares to Executive Directors, the terms of such awards (including the selection of appropriate performance measures, targets, vesting & holding periods, dividend provision and recovery & withholding provisions) will be subject to prior shareholder consultation.

Element	Purpose	Operation	Maximum	Performance
Shareholding guidelines	To align the interests of management and shareholders and promote a long- term approach.	The Policy for all Executive Directors on shareholding will be amended such that each will be expected to build up and hold their own shareholding in the Company to a value of at least 200% of their base salary in line with market practice in this area. Furthermore, all vested restricted share awards should be retained on a net of tax basis until the guideline has been met. The Board has also formalised its post-cessation policy in the light of the provisions of the UK Corporate Governance Code. It is the Group's policy that good leavers' share awards should vest on the normal vesting date and be subject to testing in relation to the underpins and a pro rata reduction. Thereafter, such vested share awards for good leavers will still also be subject to the 2-year holding period and the same associated withholding and recovery conditions as for those not leaving. Vested shares awards for good leavers that are still within the 2-year holding period, will continue to be held to the end of that holding period. The Group believes that these post leaving conditions provide sufficient shareholder protection whilst not risking unfairly penalising good leavers by forcing a further holding periods for shares released from vested awards first granted more than 5 years ago or for shares acquired independently from the Group's share plans with good leavers' own resources.	N/A	N/A

Remuneration Policy continued

Element	Purpose	Operation	Maximum	Performance
Non-Executive Chair and Non-Executive Directors' fees	To attract and retain a high-quality Chair and experienced Non-Executive Directors.	The Non-Executive Chair receives a single fee covering all her duties. The Non-Executive Directors receive a basic fee and additional fees payable for chairing or being a member of the Audit, Risk & Compliance, or the Nomination & Remuneration Committees or the Group's Regulated Subsidiary Boards. The Chair and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties. The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chair or Directors.	There is no maximum. However, any increase to fees will be considered in light of the expected time commitment in performing the roles, increases received by the wider workforce and market rates in comparable companies.	Neither the Non-Executive Chair nor the Non-Executive Directors are eligible for any performance related remuneration.

Consideration of employment conditions elsewhere in the Group

Whilst the N&RC does not consult directly with employees on the Directors' Remuneration Policy, the N&RC does receive periodic updates regarding salary increases and remuneration arrangements across the Group. This is borne in mind when determining the Remuneration Policy and payments for the Directors.

Bonus and Restricted Share Plan Discretions

The Group will operate the Annual Cash Bonus Plan and Aquis Exchange Omnibus Share Plan according to their respective rules and in accordance with the AIM Rules and HMRC rules, where relevant. A copy of the Aquis Exchange Omnibus Share Plan rules is available on request from the Company Secretary. The Board, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit the level of award is restricted as set out in the Policy table above):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each Plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- The ability to adjust existing performance conditions and underpins for exceptional events, including any M&A activity so that they can still fulfil their original purpose whilst being no less stretching.

Recruitment and Promotion Policy

The remuneration package for a new Executive Director will be established in accordance with the Group's approved Remuneration Policy subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual and their existing remuneration package. Benefits will generally be provided in line with the approved Policy, with relocation or other related expenses provided for if necessary. A pension contribution or cash in lieu in line with the pension contributions provided to the majority of the workforce may be offered.

The structure of variable pay elements of Executive Directors will be in accordance with the Group's approved Policy detailed above. The maximum variable pay opportunity will be as set out in the Remuneration Policy table, different performance measures may be set initially for the annual cash bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board. The bonus will be pro-rated to reflect the proportion of the financial year served. A Restricted Share award can be made shortly following an appointment (assuming the Group is not in a close period).

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided, taking into account the form (cash or shares), timing and expected value (taking into account the likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Group's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the AIM Rules. The intent of any such award would be to ensure that, as far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.

In the case of an internal recruitment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Service Contracts and Payments for Loss of Office

The Group's policy is to have service contracts for Executive Directors that continue indefinitely unless determined by their notice period. Under the Executive Directors' service contracts and, in line with the policy for new appointments, no more than 6 months' notice of termination of employment is required by either party.

All Non-Executive Directors have letters of appointment with the Group for an initial period of three years or on renewal for a shorter period as set out in the table below. Appointments may be terminated with three months' notice. The appointment letters for the Chair and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

For Executive Directors, the Group may, in its absolute discretion, at any time after notice is served by either party, terminate a Directors' contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice plus the fair value of contractual benefits subject to the deduction of tax.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct or a serious breach of contract. No payment or compensation beyond salary (and the value of holiday entitlement) accrued up to the date of termination will be made if such an event occurs. Any statutory payments required by law will be made.

Recovery (Clawback) provisions for Executive Directors in the Annual Cash Bonus Plan

For Executive Directors only, the Board may, in the exceptional circumstances defined below, decide to Clawback annual cash bonus payments.

The Board may decide at any time prior to the second anniversary of the date on which annual cash bonuses are paid, that the individual to whom the annual cash bonus was paid shall be subject to Clawback: (i) after due consideration, the Board forms the view that one or more of the circumstances envisaged in (a) to (f) below applies; and (ii) such Clawback is, in the Board's opinion, appropriate.

The circumstances which may give rise to the application of this provision are, for any period from Financial Year 2019 onwards:

(a) The Board forms the view that the Group materially misstated its financial results for whatever reason and that such misstatement resulted either directly or indirectly in the value of the annual cash bonus paid being greater than would have been the case had that misstatement not been made; or

(b) The Board forms the view that any calculation in connection with the annual cash bonus or any assessment of any underpins and/or any other condition imposed on the cash bonus was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in the value of cash bonus paid being greater than would have been the case had that error not been made; or

(c) It is determined by the Board that the relevant individual committed serious misconduct that warrants or could have warranted his summary dismissal as a result of his misconduct; or

(d) The Group becomes insolvent or is put into administration (under the Insolvency Act 1986) and the Board determines that such insolvency or administration arose from events occurring (in whole or substantial part) during any period in which the relevant individual was an Executive Director; or

(e) There are circumstances which in the Board's opinion have (or would have if made public) a sufficiently significant impact on the reputation of the Group or of any of its subsidiaries to justify the application of this provision; or

(f) The Board forms the view that there has been a serious failure of risk management within the Group or any of its subsidiaries to justify the application of this provision.

Remuneration Policy continued

Change of Control provisions for Executive Directors in Aquis Exchange Omnibus Plan

In the event of a change of control, unvested share awards shall vest on the date of such event. The Board shall determine the number of vested shares by (i) applying an assessment of any underpins imposed on the vesting of the award, and (ii) by applying a pro rata reduction based on the period of time after the grant date and ending on the early vesting date relative to the period of three years (counting part of any month as a whole month), unless the Board, acting fairly and reasonably, decides that the reduction in the number of vested shares is inappropriate in any particular case in comparison with the original award when it may increase the number of vested shares to such higher number as it decides is appropriate.

Good Leaver (including Retirement) provisions for Executive Directors in Aquis Exchange Omnibus Plan

If prior to vesting of any shares an individual ceases to be a director or employee of the Group by reason of (a) death, (b) injury or disability evidenced to the satisfaction of the Board; (c) retirement with the agreement of the Board; (d) redundancy (within the meaning of the Employment Rights Act 1996 or applicable local law equivalent); or (e) for any other reason, if the Board so decides then his/her awards shall vest on the normal vesting date, unless the Board decides in exceptional circumstances that his/her award shall vest on leaving.

The Board shall determine the number of shares that will vest by (i) applying any underpin test at the time of vesting, whether early or at the normal vesting date; and (ii) applying a pro rata reduction to the number of shares based on the period of time from the date of grant to the date of cessation relative to the period of 3 years (counting part of any month as a whole month) unless the Board, acting fairly and reasonably, decides that the reduction in the number of vested shares is inappropriate in any particular case when it may increase the number of shares that will vest to such higher number as it decides is appropriate.

Withholding (Malus) and Recovery (Clawback) provisions for Executive Directors in Aquis Exchange Omnibus Plan

The Board may decide:(i) at any time prior to the date on which an award vests that an unvested award is subject to Malus; and/or (ii) at any time prior to the second anniversary of the date on which an award vests, that the individual to whom the award was granted shall be subject to Clawback, or both: (i) after due consideration, the Board forms the view that one or more of the circumstances envisaged in (a) to (f) of the provisions established for the Annual Cash Bonus applies; and (ii) such Malus and/ or Clawback is, in the Board's opinion, appropriate. The Board shall not be obliged to prefer the application of Malus over Clawback or vice versa.

Annual Report on Remuneration

The information below includes details, firstly, how we intend to operate the Remuneration Policy in 2021 and, secondly, details of the pay outcomes in respect of the 2020 financial year.

Implementation of Remuneration Policy in 2021

Executive Directors' base salaries from 1 January 2021

The Executive Directors' base salaries are determined by assessment of the Group and individual performance in 2020 and also benchmarking against Executive Directors' salaries in other UK listed companies in the Group's market sector of a similar size and performance. The outcome of this review was to maintain Alasdair Haynes and Jonathan Clelland's base salaries. Alasdair Haynes' base salary will remain at £250,000 p.a. and Jonathan Clelland's base salary will remain at £235,000 p.a. This is in the context of increases provided to the general workforce of on average around 3%.

Executive Directors' Benefits

The Executive Directors' remuneration packages include private health cover (individual and family), permanent health cover and life assurance cover. The current Executive Directors have elected to not participate in the Group Pension Plan. In addition to public holidays the Executive Directors are entitled to 25 working days of paid holiday in each complete holiday year.

Executive Directors' 2021 Annual Cash Bonus Plan

For both Executive Directors, the maximum bonus opportunity for 2021 will be capped at 80% of base salary, which is the same as in 2020. For on-target performance, bonus payout will be 40% of base salary. At threshold performance, below which no bonus will be paid, the bonus payout will be 5% of base salary.

The objectives and their weightings for the year ending 31 December 2021, for both Executive Directors are:

	Bonus Weighting (% of salary)
Group Financial KPI 1: Profit Before Tax	18.67%
Group Financial KPI 2: Revenue	37.33%
Strategic, non-financial objectives	24.00%
Maximum bonus opportunity	80.00%

The financial objectives therefore constitute 70% of the available bonus, and the non-financial objectives 30%.

As an underpin, a minimum level of Profit Before Tax must be achieved before any payment can be made against the financial element of the Annual Cash Bonus plan. There is no formal underpin for the strategic, non-financial objectives but the N&RC and Board will retain discretion to reduce (including to nil) cash bonuses based on non-performance against strategic, non-financial objectives if it determines, in exceptional circumstances, acting reasonably in the best interests of the Company, that the overall circumstances cannot justify it.

Executive Directors' Awards in 2021 under the Aquis Exchange Omnibus Share Plan

The Aquis Exchange Omnibus Share Plan forms the main, equity-based element of Executive Directors' and other senior executive's remuneration.

Consistent with the approach taken last year and the limit set out in the Directors' Remuneration Policy, the Restricted Share awards proposed for 2021 are 65% of base salary for both for Alasdair Haynes and Jonathan Clelland.

These awards will vest on the 3rd anniversary after the grant date subject to underpin conditions being met. They are then subject to a further two-year holding period during which Recovery (Malus) and Withholding (Clawback) conditions apply.

The Restricted Share Awards will be subject to underpins that must be met before vesting can occur. The underpins are based on a minimum level of underlying performance of the Group over the three-year period and delivery against the Group's strategy and plans. As such the underpins will require that the profitability of the Group must not decrease below the level in the 2020 financial year and may include growth in market share in the Aquis Exchange business, sustainable profit delivery and financial progress taking into account expansion and investment plans, the avoidance of a material failure in governance or an illegal act resulting in significant regulatory or reputational damage and/or material financial loss to the Group or any of its subsidiaries, and social factors such as culture and employee engagement. When considering these factors, the N&RC will consider overall performance while recognising that fast growing financial and technology companies may require capital expenditure and investment.

Chair and Non-Executive Director fees

The remuneration for the Chair and Non-Executive Directors, which consists solely of fees, is summarised in the table below in the section on Single figure of total remuneration for Directors.

Single figure of total remuneration for Directors

The following tables present all elements of remuneration received by the Directors in 2020 (and 2019).

The remuneration of the Directors is also disclosed in Note 11 of the financial statements.

2020 (Audited)

Director	Salary/Fees	Performance bonus actual(4)	Taxable benefits(5)	Long Term Incentives(6)	Total
Executive Directors					
Alasdair Haynes	£250,000	£135,896	£5,664	£34,634	£426,194
Jonathan Clelland	£235,000	£127,742	£7,589	£34,634	£404,965
Non-Executive Directors					
Niki Beattie	£55,000	–	–	–	£55,000
Richard Bennett	£40,000	–	–	–	£40,000
Mark Spanbroek	£35,000	–	–	–	£35,000
Mark Goodliffe	£44,029	–	–	–	£44,029
Glenn Collinson(1)	£40,000	–	–	–	£40,000
David Vaillant(2)	£31,250	–	–	–	£31,250
Deirdre Somers(3)	£5,000	–	–	–	£5,000

(1) Glenn Collinson resigned from the Board in March 2020 and was appointed a Non-Executive Director of Aquis Stock Exchange Limited

(2) David Vaillant joined the Aquis Exchange Europe SAS Board in September 2019 and the Aquis Exchange PLC Board in June 2020

(3) Deirdre Somers joined the Board in October 2020

(4) The detailed calculation of the performance bonus is described in the section on 2020 annual cash bonus below

(5) Taxable benefits comprise private health care

(6) Executive Directors were granted share options under the Aquis EMI Option Plan 2018 at the time of IPO 14 June 2018. The values shown are the gains made at the date of vesting 14 June 2020. No further awards are to be made under this plan.

Remuneration Policy continued

2019 (Audited)

Director	Salary/Fees	Performance bonus actual	Taxable benefits(2)	Long Term Incentives(3)	Total
Executive Directors					
Alasdair Haynes	£225,000	£68,150	£7,693	£87,794	£388,637
Jonathan Clelland	£225,000	£68,150	£8,202	£87,794	£389,146
Non-Executive Directors					
Niki Beattie	£50,000	–	–	–	£50,000
Richard Bennett	£40,000	–	–	–	£40,000
Mark Spanbroek	£35,000	–	–	–	£35,000
Mark Goodliffe	£40,000	–	–	–	£40,000
Glenn Collinson(1)	£40,000	–	–	–	£40,000

(1) Glenn Collinson joined the Board in January 2019

(2) Taxable benefits comprise private healthcare

(3) Executive Directors were granted share options under the Aquis EMI Option Plan 2018 at the time of IPO 14 June 2018. The values shown are the gains made at the date of vesting 14 June 2019. No further awards are to be made under this plan

Executive Directors' 2020 annual cash bonus

In 2020, both the Group Financial KPIs and the Strategic, Non-financial, Individual KPIs for both Alasdair Haynes and Jonathan Clelland were the same. Performance against them was as follows:

	Maximum Bonus Opportunity (% of salary)	Threshold	Target	Maximum	Actual Result	Bonus outcome (% of salary)
Group Financial Objective (KPI) 1: Operating Profit	28%	£0.00m	£0.30m	£0.68m	£1.52m	28%
Group Financial Objective (KPI) 2: Revenue (net of ECL)	28%	£10.04m	£11.11m	£12.27m	£11.47m	16.4%
Strategic, Non-financial Objectives (KPIs)	24%	See the table below	12%	24%	10%	10%
Total	80%					54.4%

Performance against the financial bonus measures resulted in a payout of 54.4% of salary out of 80.0%.

The Strategic, Non-financial KPIs (30% of the bonus) are set out below together with the performance outcome.

Strategic, Non-financial KPIs	Performance outcome (either Not met target, Partially met target, Met target, or Exceeded target)
Grow membership and show market share progression for Aquis Exchange.	Partially met target through growth in message traffic of current members
Invest to grow Aquis Technologies	Partially met target through investment in personnel and capital
Building a sustainable Aquis business	Met target through successful integration of AQSE, improved diversity, stakeholder satisfaction feedback and investment.
Maintain Regulatory, Technical and Supervisory systems to avoid any breaches	Met target through no regulatory breaches and meeting targets e.g. Brexit, SMCR

The measurement of the strategic non-financial KPIs is based on a combination of qualitative factors and the audited financial statements. Further details on the 4 strategic non-financial KPIs are as follows:

To ensure that Aquis exchange continues to increase member numbers and market share of the overall pan-European equity market the number of member contracts, growth in message traffic and resulting revenue was verified and market share independently checked against available 3rd party data sources.

The objective of investing in Aquis technologies is to reduce the risk of exchange failure and to increase the number of technology licensing contracts. There were no outages and technology contracts increased during 2020.

The purpose of building a sustainable Aquis business is to diversify revenue sources and enhance employee gender and ethnic diversity. The acquisition of AQSE enabled Aquis to be able to enter the primary equity market and also increased the percentage of revenues derived from data by 165%. Gender diversity increased by 60% compared to 2019 and the employee satisfaction survey scored highly.

In order to maintain external confidence in the quality and performance of the Aquis business activities it is crucial to avoid any regulatory, technical or supervisory breaches. This was achieved during 2020 including the preparation leading to the successful Brexit transition on 4th January 2021.

The data used to measure and verify the KPIs was derived from independent sources and internal management reports. No significant assumptions were made in measuring the KPIs and the calculation method for all the financial and non-financial KPIs was consistent with prior years and there were no changes to the underlying accounting policies.

Executive Directors' Awards in 2020 under the Aquis Exchange Omnibus Share Plan

On 15th June 2020, Alasdair Haynes was granted 45,775 and Jonathan Clelland 43,028 restricted share awards under the Aquis Exchange Omnibus Share Plan. These awards are valued at face value from the share price of £3.55 at 15th June 2020 and therefore represent 65% base salary as already disclosed in Remuneration Policy in the 2019 Directors Remuneration Report. Further details on the valuation, vesting schedule and conditions of this award are described below in the table below on Outstanding Share Plan awards.

These Restricted Share Awards are subject to underpins, which are objectives that must be met before vesting can occur. The underpins are based on a minimum level of underlying performance of the Group over the three-year period and delivery against the Group's strategy and plans. As such the underpins may include growth in market share in the Aquis Exchange business, sustainable profit delivery and financial progress taking into account expansion and investment plans, the avoidance of a material failure in governance or an illegal act resulting in significant regulatory or reputational damage and/or material financial loss to the Group or any of its subsidiaries, and social factors such as culture and employee engagement. When considering these factors, the N&RC and Board will consider overall performance while recognising that fast growing financial and technology companies may require capital expenditure and investment.

Executive Directors' vesting during 2020 of share-based awards under previous long term incentive plans

Only previous awards that are subject to time-based vesting, with no performance conditions attached, vested during the year. These awards were granted in June 2018 under the Aquis EMI option scheme, vesting over a 3-year period with an exercise price of £2.69 per share. Full details on the vesting status of all share plan awards for the Executive Directors are set out in the Outstanding Share Plan awards table below.

Remuneration Policy continued

Outstanding Share Plan awards

Details of all outstanding awards under all Share Plans for the Executive Directors are set out below.

Director	Type of award	Award date	Share (or EMI Option Exercise) Price at grant	Unvested at 1 January 2020	Awarded during the year	Lapsed during the year	Option vested but not exercised during the year	Unvested at 31 December 2020	Earliest date shares from most recent award could be acquired	Latest date shares from most recent award could be acquired
Alasdair Haynes	Aquis EMI Option Plan 2018	14th June 2018	£2.69	80,545	0	0	40,272	40,273	14th June 2019	13th June 2028
	Aquis EMI Option	19th November 2019	£3.47	80,000	0	0	0	80,000	16th April 2021	16th April 2030
	Aquis Omnibus Share Plan 2020	15th June 2020	£3.55	0	45,755	0	0	45,755	15th June 2023	14th June 2030
Jonathan Clelland	Aquis EMI Option Plan 2018	14th June 2018	£2.69	80,545	0	0	40,272	40,273	14th June 2019	13th June 2028
	Aquis EMI Option Plan 2018	19th November 2019	£3.47	80,000	0	0	0	80,000	16th April 2021	16th April 2030
	Aquis Omnibus Share Plan 2020	15th June 2020	£3.55	0	43,028	0	0	43,028	15th June 2023	14th June 2030

(1) Awards under the Aquis EMI Share Option plan 2018 are at-market share options. They are subject to time-based vesting in three equal tranches on the 1st, 2nd and 3rd anniversary of the award.

(2) Aquis Exchange PLC was under close period at the original award date of 19th November 2019, therefore this award was deferred to 16th April 2020.

(3) Awards under the Aquis Omnibus Share Plan are options to acquire shares in Aquis Exchange PLC at an exercise price of 10p/share, vest 3 years after the date of the award subject to the Group exceeding underpin conditions and are held for a further 2 years post vest subject to certain withholding (malus) and recovery (clawback) conditions described in the Aquis Exchange Remuneration Policy.

Directors' shareholdings and share interests

The following table summarises the shareholdings and share interests of the Directors at 31 December 2020.

Director	Shares	Options vested but not exercised	Options unvested	SIP	Total
Executive					
Alasdair Haynes	1,491,551	80,545	120,273	5,505	1,697,874
Jonathan Clelland	576,000	80,545	120,273	5,505	782,323

Retirement Benefit Schemes

Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as and when they become due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total costs charged to income in respect of defined contribution plans in 2020 are £314,610 (2019: £ 274,154).

Both Alasdair Haynes and Jonathan Clelland have elected not to participate in the Group pension plan.

All Employee Share Plans

The Group operates an HMRC approved Share Investment Plan (SIP).

Share Investment Plan (SIP)

All employees are eligible to participate in the SIP scheme and during 2020 31 employees including the Executive Directors subscribed to the scheme. As at, 31 December 2020 104,656 shares in the Company were held in the SIP.

Directors' service contracts terms

The Group contract term policy is to establish Executive Directors' notice period in line with market norms and Non-Executive Directors' contract terms of 3 years' duration.

The Executive Directors' contracts are subject to 6 months' notice period. The unexpired Non-Executive Directors service contract terms are as follows:

Director	Date of contract	Term
Niki Beattie	June 2020	December 2021
Richard Bennett	June 2020	March 2023
Mark Spanbroek	June 2020	February 2022
Mark Goodliffe	March 2018	March 2021
David Vaillant	June 2020	September 2022
Deirdre Somers	October 2020	October 2023

All Directors' service contracts are available for inspection on request from the Company Secretary.

Other information about the N&RC

The N&RC members have no personal financial interest in matters to be decided, no potential conflicts of interests arising from cross directorships and no day to day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes.

The N&RC received help during the year from:

- CFO&COO, Jonathan Clelland, who attends meetings as an Observer and acted as the Secretary at the meetings. The Chief Executive, Alasdair Haynes also attended some meetings upon invitation. No individual takes part in discussions relating to their own remuneration and benefits
- the N&RC's appointed external adviser FIT Remuneration Consultants LLP. FIT's fees for advice provided to the N&RC during 2020 were £35,900 covering the benchmarking of Executive Directors salaries, fees for Non -Executive Directors and the establishment of a new share option scheme to replace the expired EMI Share Option Scheme. FIT does not provide any other services to the Group and the N&RC is satisfied that it provides independent and objective remuneration advice. FIT is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at www.remunerationconsultantsgroup.com.

Remuneration Policy continued

External Non-Executive Directors Appointments

Executive Directors are permitted, where appropriate and with Board approval, to take Non-Executive Directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the Executive Directors in their capacity as directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. Neither of the Executive Directors currently holds an appointment of this nature.

2020 AGM Remuneration Resolution Voting Outcome

	For	Against	Withheld
Directors' Remuneration Report	15,418,015 96.9%	273,501 1.7%	219,208 1.4%

On behalf of the Board and the Nomination & Remuneration Committee.

Richard Bennett
Chairman, Nomination & Remuneration Committee

30 March 2021

Independent auditors' Report to the members of Aquis Exchange PLC

Report on the audit of the financial statements

Opinion

In our opinion, Aquis Exchange Plc's group financial statements and company financial statements (the "financial statements"):

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

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made key judgements and accounting estimates, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matters

- Timing of revenue recognition in relation to technology license fees (group and company)
- Valuation of the expected credit loss for contract assets (group and company)
- Valuation of deferred tax assets (group and company)
- Impact of COVID-19 (group and company)

Materiality

- Overall group materiality: £114,500 (2019: £130,000) based on 1% of total revenue.
- Overall company materiality: £98,600 (2019: £130,000) based on 1% of total revenue.
- Performance materiality: £85,875 (group) and £73,950 (company).

Independent auditors' Report to the members of Aquis Exchange PLC continued

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to maintain sufficient regulatory requirements or breaches of FCA regulations that may impact the ability of the group to continue as a recognised investment exchange, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential to post manual journal entries to manipulate financial performance, or for management bias in the judgements and assumptions used in significant accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any manual journal entries posted with unusual account combinations, with descriptions indicating a higher level of risk and material post year end adjustment entries;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Reviewing key correspondence with the FCA;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the expected credit losses for contract assets, valuation of deferred tax assets and accounting for share based payment schemes;

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

Key audit matters

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

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

Valuation of deferred tax assets is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition in relation to technology license fees (group and company) In accordance with the accounting policies set out in Note 2 "Basis of preparation and accounting policies", revenue from contracts with customers relating to licence fees is recognised once the relevant contractual terms relating to each performance obligation have been achieved, and when other recognition criteria have been met. This can be either over time or point in time which impacts the timing of the recognition of the revenue. The total revenue recognised from licence fees in the year ending 31 December 2020 was £1.8m, as explained in Note 12 "Revenue". We focused on this area as there is judgement required in the identification of performance obligations as well as the timing of the revenue recognition for each obligation. This creates a risk of licence fees not being recognised in an appropriate period which could lead to a material misstatement.	We understood management's process for identifying revenue from licence fees and appropriately recognising it under the requirements of the Group's accounting policies, including identification of performance obligations and the apportionment of revenue to each obligation. We reviewed all relevant contracts to determine whether fees were recognised in accordance with contractual terms under IFRS 15 and that licence fees were appropriately recognised either as "point in time" or "over-time", depending on the performance obligation. Where there is judgement in allocating revenues, we have critically challenged management on this judgement. We have also re-performed the calculations based on the contractual terms to ensure that the revenue was recognised accurately and in the correct period. Based on the work performed, we found management's judgement over recognition of revenue to be reasonable given the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Valuation of the expected credit loss for contract assets (group and company) In accordance with the accounting policies set out in Note 2 "Basis of preparation and accounting policies", the Group is required to account for expected credit loss ("ECL") for contract assets arising from the technology licensing fees. As at 31 December 2020, the Group has recognised ECL provision for the technology licensing contract assets with a total of £508k as described in Note 13 "Impairment". Estimating ECL for 2020 requires a significant level of management judgement given the lack of default history to predict the probability of default ("PD"), the uncertainty in macroeconomic forecasts, in particular given the backdrop of the COVID pandemic, and the fact that the Group's licensing customers primarily consist of start-up companies with no external credit scores. There is a risk that inappropriate or incorrect inputs could lead to a material misstatement in the ECL.	We understood management's process for calculating the ECL for their contract assets including identification of Probability of Default ('PD') and Loss Given Default ('LGD'). We assessed management's credit risk policy and the ECL model for reasonableness, including critically challenging management's derivation of PD and LGD. We obtained third party information about the history, status and regulatory maturity of the underlying counterparties. We tested the appropriateness of management's multiple economic scenarios through benchmarking the assumptions for the base case and scenario weights to external forecasts and distributions . We concluded that management's multiple economic scenarios and ascribed weights are appropriate. We performed substantive procedures over the validity of the data inputs and accuracy of ECL by re-performing the model calculation. We substantively tested the PD rates used by management by benchmarking them against historical default rates from external credit ratings. We performed sensitivity analysis by flexing the PD and LGD by a reasonable range and found that the ECL was not materially impacted. We reviewed the disclosure of the accounting estimate and expected credit losses and agreed that it was appropriate. Based on the work performed, we found management's estimate of the ECL to be supported by the evidence obtained.
Valuation of deferred tax assets (group and company) Aquis recorded a profit for the first time in 2020. Management recognised deferred tax in relation to some of their carried forward tax losses based on their expected future profitability for a period of three years. As at 31 December 2020, the Group recognised a total deferred tax asset of 203k, as described in Note 18 "Deferred tax asset". There are high levels of inherent uncertainty and management judgement associated with budgeting future profitability, in particular as COVID-19 has led to high levels of economic and market volatility which made forecasting inherently challenging. There is therefore a significant amount of estimation uncertainty in this accounting estimate. As such, we have considered that the valuation of deferred tax assets is a key audit matter.	We understood management's process for recognising and estimating deferred tax assets. We engaged our tax specialists to review the recognition and the three year period for their revenue and profit forecasts which they have applied to their deferred tax calculation. Together with our specialists we consider that three years is in line with market practice given the uncertainty of predicting further into the future. We reviewed management's revenue and profit forecasts and critically assessed the assumptions used in the cash-flow model. We tested management's forecasts for the key revenue streams through reviewing the customer level analysis and technology licensing contracts to see whether the forecasts are supported by the renewability of the customers, probability of any new customers and reliability of the increase in trading volumes. We obtained audit evidence around new contracts and changes in fee structures, which supported management's assumptions. We also assessed the impact of COVID-19 on the Group's customers with regard to timely payments and profitability, and determining whether the forecasts are achievable through comparing management's latest forecast to the year to date actuals. We performed sensitivity analysis to determine the sensitivity of the forecasts and resultant impact on deferred tax assets to changes in revenue growth rates. We concluded that management's estimation was within a range of reasonable alternative scenarios. We reviewed the disclosure of the accounting estimate and deferred tax assets and agreed that it was appropriate. Based on the work performed, we found management's valuation of deferred tax assets to be supported by the evidence obtained.

Independent auditors' Report to the members of Aquis Exchange PLC continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and company) The impact of the Covid-19 pandemic has resulted in unprecedented economic conditions and fiscal and monetary response from governments and regulators. The Covid-19 pandemic has also changed the way that companies operate their businesses, with one of the most substantial impacts being the transition to remote working. A substantial proportion of the Group's employees have been working remotely during 2020. Our audit team has also been working remotely for most of 2020. The impact of the Covid-19 pandemic and resulting uncertainty has impacted a number of the estimates in the group financial statements and company financial statements. The impact on the most significant accounting estimates and our audit is set out in the other key audit matters in this opinion: • Valuation of the expected credit loss for contract assets (group and company); • Valuation of deferred tax assets (group and company).	We discussed our assessment of the impact of COVID-19 on the Group's operations with the ARCC during planning. We also discussed how we planned our audit strategy with our team working remotely. We engaged with management in a manner consistent with our audit during prior years, albeit remotely using video and telephone calls. All of the information and audit evidence we requested is provided in electronic format. We shared information using share-screen functionality in video calls and our secured encrypted information sharing software. Apart from our considerations of the impact on the most significant accounting estimates outlined in the other key audit matters, we have also considered the impact of COVID-19 on management's going concern assessment. In forming our conclusions, our procedures in respect of going concern included evaluating the Group's capital and liquidity positions under multiple scenarios, including considerations of the impact of COVID-19. Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements, and that there is no material uncertainty about the Group's ability to continue as a going concern for at least 12 months following the date of this report. We also assessed the adequacy of disclosures related to COVID-19 included in the annual report financial statements and assessed these to be appropriate.

How we tailored the audit scope

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

For our audit of Group financial statements, we have scoped in Aquis Exchange Europe SAS and Aquis Stock Exchange Limited for the period upon acquisition, referred together as "components" financial statement line items to the extent they are material to the Group. Subject to the overall materiality thresholds outlined in the section below, we have allocated the materiality to the audit of the components. We engaged PwC France ("component auditors") to perform the audit procedures for Aquis Exchange Europe SAS, who are also the local statutory auditors of the entity. We determined the level of involvement we needed in their audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. This included regular communications with the component auditors throughout the audit, the issuance of instructions, and a review of the results of their work.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£114,500 (2019: £130,000).	£98,600 (2019: £130,000).
How we determined it	1% of total revenue	1% of total revenue
Rationale for benchmark applied	Total revenue is the primary measure to assess the performance of the group, and is a generally accepted auditing benchmark. In the prior year, average profit/loss before tax over the past three years was the primary measure to assess the performance of the group. Since the group achieved profit during the year, we determined the change of benchmark for our materiality to be reflective of the nature and size of the group.	Total revenue is the primary measure to assess the performance of the company, and is a generally accepted auditing benchmark. In the prior year, average profit/loss before tax over the past three years was the primary measure to assess the performance of the company. Since the company achieved profit during the year, we determined the change of benchmark for our materiality to be reflective of the nature and size of the company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £36,000 and £99,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £85,875 for the group financial statements and £73,950 for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £5,725 (group audit) (2019: £6,500) and £4,930 (company audit) (2019: £6,479) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of Covid-19.
- Understanding and evaluating the group's financial forecasts and the group's liquidity and regulatory capital under various downside scenarios.
- Evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors' Report to the members of Aquis Exchange PLC continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30-03-2021

Consolidated and Company Statements of Comprehensive Income

For the year ended 31 December 2020

	Notes	Group 2020 £	Group 2019 Restated £	Company 2020 £	Company 2019 Restated £
Income Statement					
Revenue	12	11,477,253	6,891,994	9,860,328	6,627,994
Impairment (charge)/credit	13,23	(100,174)	284,993	(97,760)	284,993
Administrative expenses	14	(9,855,927)	(7,171,216)	(7,443,194)	(6,840,840)
Operating profit/(loss)		1,521,152	5,771	2,319,374	72,147
Investment income	16	14,632	41,699	14,632	36,303
Depreciation and amortisation	14	(1,030,290)	(928,191)	(1,030,290)	(928,191)
Finance expense	28	(41,835)	(47,653)	(41,835)	(47,653)
Finance income	28	6,736	6,538	6,736	6,538
Profit before taxation		470,395	(921,836)	1,268,618	(860,856)
Income tax credit/(expense)	19	307,616	265,254	307,616	265,254
Deferred tax	18	203,717	–	203,717	–
Profit/(loss) for the year		981,728	(656,582)	1,779,951	(595,602)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations, net of tax	33	(531)	1,439		
Other comprehensive loss for the year		(531)	1,439	–	–
Total comprehensive income/(loss) for the year		981,197	(655,143)	1,779,951	(595,602)
Earnings per share (pence)					
Basic					
Ordinary shares	20	4	(3)	7	(3)
Diluted					
Ordinary shares	20	3	(3)	6	(3)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

Consolidated and Company Statements of Financial Position

As at 31 December 2020

		Group		Company	
	Notes	2020 £	2019 Restated £	2020 £	2019 Restated £
Assets					
Non-current assets					
Goodwill	17,21	83,481	–	–	–
Intangible assets		916,256	753,230	916,256	753,230
Property, plant and equipment	20	1,578,554	2,013,823	1,578,554	2,013,823
Investment in subsidiaries	21	–	–	6,484,202	2,437,766
Investment in trust	24	–	–	486,127	318,410
Deferred tax asset	16	203,717	–	203,717	–
Trade and other receivables	22,25	839,630	966,922	839,630	966,922
		3,621,638	3,733,975	10,508,486	6,490,151
Current assets					
Trade and other receivables	22,25	2,924,067	1,696,438	2,943,368	1,687,587
Cash and cash equivalents	26	12,268,418	11,010,861	6,179,566	8,609,739
Total assets		18,814,123	16,441,274	19,631,420	16,787,477
Liabilities					
Current liabilities					
Trade and other payables	27,28	2,810,710	1,499,574	2,292,106	1,467,826
Net current assets		12,381,775	11,207,725	6,830,828	8,829,500
Non-current liabilities					
Lease liabilities	28	995,081	1,189,694	995,081	1,189,694
		995,081	1,189,694	995,081	1,189,694
Total liabilities		3,805,791	2,689,268	3,287,187	2,657,520
Net total assets		15,008,332	13,752,006	16,344,234	14,129,957
Equity					
Called up share capital	29	2,716,970	2,714,956	2,716,970	2,714,956
Share premium account	30	10,892,135	10,839,981	10,892,135	10,839,981
Other reserves	31	760,543	377,766	748,525	368,367
Treasury shares	32	(489,625)	(327,809)	–	–
Retained earnings		1,127,401	145,673	1,986,604	206,653
Foreign currency translation reserve	33	908	1,439	–	–
Total equity		15,,008,332	13,752,006	16,344,234	14,129,957

The notes to the financial statements on pages 61 to 96 form an integral part of these financial statements. The financial statements on pages 57 to 58 were approved by the Board of Directors and authorised for issue on 30 March 2021 and are signed on its behalf by:

Alasdair Haynes

Alasdair Haynes
CEO

Jonathan Clelland
CFO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

AQUIS EXCHANGE PLC COMPANY REGISTRATION NUMBER: 07909192

Group	Notes	Share Capital £	Share premium £	Other reserves £	Retained earnings £	Treasury shares £	Foreign Currency Translation Reserve £	Total £
Balance at 1 January 2019		2,714,956	10,839,981	92,446	802,255	–	–	14,449,638
Restated loss for the year		–	–	–	(656,582)	–	–	(656,582)
Foreign exchange differences on translation of foreign operations	33	–	–	–	–	–	1,439	1,439
Restated movement in share-based payment reserve	31	–	–	285,319	–	–	–	285,319
Restated movement in treasury shares	32	–	–	–	–	(327,809)	–	(327,809)
Restated at 31 December 2019		2,714,956	10,839,981	377,766	145,673	(327,809)	1,439	13,752,006
Balance at 1 January 2020		2,714,956	10,839,981	377,766	145,673	(327,809)	1,439	13,752,006
Profit for the year		–	–	–	981,728		–	981,728
Foreign exchange differences on translation of foreign operations	33	–	–	–	–	–	(531)	(531)
Issue of new shares		2,014	52,154	–	–	–	–	54,168
Movement in share-based payment reserve	31	–	–	382,777	–	–	–	382,777
Recognition of treasury shares						(161,816)		(161,816)
Balance at 31 December 2020		2,716,970	10,892,135	760,543	1,127,401	(489,625)	908	15,008,332

Company Statement of Changes in Equity

For the year ended 31 December 2020

Company	Notes	Share Capital £	Share premium £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2019		2,714,956	10,839,981	92,446	802,255	14,449,638
Restated loss for the year		–	–	–	(595,602)	(595,602)
Restated movement in share option reserve	31	–	–	275,921	–	275,921
Restated balance at 31 December 2019		2,714,956	10,839,981	368,367	206,653	14,129,957
Balance at 1 January 2020		2,714,956	10,839,981	368,367	206,653	14,129,957
Profit for the year		–	–	–	1,779,951	1,779,951
Issue of new shares		2,014	52,154	–	–	52,154
Movement in share option reserve	31	–	–	380,158	–	380,158
Balance at 31 December 2020		2,716,970	10,892,135	748,525	1,986,604	16,344,234

Consolidated and Company Statements of Cash Flows

For the year ended 31 December 2020

		Group		Company	
	Notes	2020 £	2019 £	2020 £	2019 £
Cash flows from operating activities					
Cash generated by operations	34	2,129,563	385,606	2,228,339	438,105
Tax refunded	19	307,616	265,254	307,616	265,254
Finance expense on lease liabilities	28	(35,099)	(47,653)	(35,099)	(47,653)
Net cash inflow from operating activities		2,402,080	603,207	2,500,856	655,706
Investing activities					
Payment of software development costs	21	(642,695)	(562,271)	(642,695)	(562,271)
Purchase of property, plant and equipment	22	(115,351)	(509,342)	(115,351)	(509,342)
Investment in subsidiaries	23	(259,400)	–	–	(2,437,766)
Capital injection into AQSE and Aquis Europe		–	–	(4,046,436)	–
Interest received	16	14,632	41,699	14,632	36,303
Net cash used in investing activities		(1,002,815)	(1,029,914)	(4,789,851)	(3,473,076)
Financing activities					
Issue of new shares	29,30	54,168	–	54,168	–
Principal portion of lease liability	28	(195,346)	(182,792)	(195,346)	(182,792)
Net cash generated from/ (used in) financing activities		(141,178)	(182,792)	(141,178)	(182,792)
Net increase/(decrease) in cash and cash equivalents		1,258,088	(609,499)	(2,430,173)	(3,000,162)
Cash and cash equivalents at the beginning of the year	26	11,010,861	11,618,921	8,609,739	11,609,901
Effect of exchange rate changes on cash and cash equivalents	33	(531)	1,439	–	–
Cash and cash equivalents at the end of the year	26	12,268,418	11,010,861	6,179,566	8,609,739

Notes to the Financial Statements

For the year ended 31 December 2020

1 SIGNIFICANT CHANGES IN THE REPORTING PERIOD

The following events and transactions had an impact on the financial position and performance of the Group and/or Company during the period:

- The acquisition of NEX Exchange Limited (which has changed its name to Aquis Stock Exchange Limited) in March 2020 which resulted in an increase in the Group's current assets and current liabilities, the details of which are disclosed in Note 15.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Company information

Aquis Exchange PLC is a public limited company which is incorporated and domiciled in the United Kingdom. Its registered office is located at Palladium House, 1-4 Argyll Street, London, W1F 7LD.

Accounting convention

The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union and in conformity with the requirements of the Companies Act 2006.

The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period completion day (end of transition period, including where the company also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

The financial statements have been prepared on the historical cost basis.

The Group does not hold any financial instruments at fair value through profit or loss.

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

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group has made a profit for the first time since its inception this year and has substantial cash reserves and a strong balance sheet, due to high levels of investment within the Group. There has been a growth in revenue between the current year and comparative years. Additional revenue growth is projected for 2021, with profits forecasted for future years.

The Coronavirus impact has adversely impacted the global economy in 2020 and caused a significant amount of uncertainty. Whilst this has not hindered the business in a discernible way to date, which is evidenced by the revenue growth and profit generated during the year, there is a risk that there may be a longer-term impact on revenues and/or costs and therefore the Directors are closely monitoring how the situation develops and are ready to address any negative impact on the business if necessary.

The end of 2020 marked the end of the transition period following the UK's departure from the EU, and a trade agreement was reached at the end of the year, which did not address financial services While the agreement ended years of uncertainty regarding a no-deal Brexit, there are significant costs for the UK's financial services industry, and it is anticipated there will be a long-lasting effect on the UK economy. With its European subsidiary and a well-planned and executed transition of EU securities trading, the Group has been well-positioned to respond quickly to the changes in legislation. However, it remains difficult to predict the overall impact of Brexit on the future trading landscape for both the financial services industry and the wider UK economy.

Taking the above into account in light of the Group's current position and principal risks as discussed in the Strategic Report section of this annual report, the Directors have assessed the prospects of the Group for the foreseeable future and there is no material uncertainty as to the Group's ability to continue to adopt the going concern basis of accounting in preparing the financial statements over a period of at least 12 months from the date of approval of these financial statements.

Notes to the Financial Statements continued

For the year ended 31 December 2020

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated. The attribution to non-controlling interests has not been presented since all subsidiaries are 100% held.

There were no discontinued operations in any of the periods presented.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate that the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

The results of Aquis Stock Exchange Limited and Aquis Exchange Europe SAS have been consolidated in the Group financial statements for the year ended 31 December 2020.

The consolidated financial statements also include treasury shares and cash held by the trust ("the Trust") that administers the Company's employee share incentive plan. The Trust has been consolidated based on the IFRS 10 criteria for control over the Trust being met:

- The Trust was established to facilitate the acquisition and holding of shares under the Aquis Exchange PLC Share Incentive Plan;
- The activities of the Trust are limited by the agreement in place; and
- The Trust does not have any assets outside of the partnership share money received and the shares purchased. The use of any shares or cash that remain in the Trust fund once the trustee no longer holds any shares relating to the SIP, is directed by the company. The Trust itself has no rights to any dividends.

Accounting policies

Revenue

Revenue comprises amounts derived from the provision of services which fall within the Company's ordinary activities, net of value added tax. It represents amounts receivable for subscription fees, the licensing of software, the provision of data to third-party vendors, and fees relating to listings on the Aquis Stock Exchange (AQSE), all of which are net of value added tax. Revenue is recognised once the performance obligations for each activity have been satisfied.

All the revenue streams are generated by contracts with customers and revenue is therefore recognised in accordance with IFRS 15.

Revenue from exchange subscription-based services is recognised in the accounting year in which the services are rendered, by reference to the ongoing contractual obligation to provide the services.

Revenue from licensing contracts is assessed for each contract and split into three performance obligations:

- Project fees and maintenance fees which are recognised over time as the obligations are met; and
- Licensing fees which are considered a "right to use" licence under IFRS 15 and are therefore recognised at a point in time when control of the licence passes to the customer.

Revenue from the provision of data to third-party vendors is comprised of the annual fees paid by the redistributors, member firms and multi-media firms for access to real time and/or end of day data. An additional monthly fee is received based on the number of users the vendors provide the data to each month, variable based on usage for the prior month, is charged in arrears and is recognised in the month it is incurred.

Revenue from AQSE issuer fees is comprised of initial application and admission fees, annual fees, and further issue fees. Both application and admission fees are recognised monthly over the expected life of a company's admission. An estimation is required to determine the length of time the securities will remain listed on the exchange, the details of which are discussed in Note 5. Annual issuer fees relate to fees paid by issuers to maintain a listing on the exchange and are discussed below, while further issue fees relate to fees in respect of further issues by listed companies are recognised at the point in time they occur.

Annual issuer and data fees are paid by the customers in advance and are initially recognised as deferred revenue, then released over time as the performance obligation is fulfilled.

Estimated listing period for Aquis Stock Exchange securities

In recognising application and admission fees, the Company determines the expected length of time each new security will be listed on AQSE. The estimate is based on historical analysis of listing durations in respect of the companies listed on AQSE. The length of time a security remains listed incorporates significant uncertainty as it is based on factors outside the control of the Company and which are inherently difficult to predict.

Based on the available information and incorporating management's predictions, it is currently estimated that an average security will remain listed for a period of 9 years. Application and admission fees are recognised monthly over this period. It is estimated that a one year increase/ decrease in the deferral period would cause a £3,649 decrease /£2,919 increase in annual revenue released respectively. The estimated listing periods will be reassessed at each reporting date to ensure they reflect the best estimates of the Group.

Intangible assets other than goodwill

Internally developed intangible assets arising from the capitalisation of Research and Development expenditures are recognised in the financial statements when all of the following criteria are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale is established;
- There is an intention to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where the above criteria are not met, costs incurred in research and development are recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in order to write off the cost or valuation of the assets, less their residual values over their useful lives. The development of trading platforms has been amortised over 3 years on a straight-line basis reflecting management's estimate of the useful life of the technology, the rationale of which is discussed in Note 5.

Business Combination

Aquis Exchange PLC (the acquirer) purchased 100% of the shares of NEX Exchange Limited (which subsequently changed its name to Aquis Stock Exchange Limited (AQSE)) on 11 March 2020 (the acquisition date). Business combinations are recorded using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the net identifiable assets is recorded as goodwill.

Goodwill

In March 2020 the acquisition of AQSE gave rise to goodwill in the consolidated financial statements. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is assessed for impairment annually. Note 21 provides further detail on the impairment assessment for goodwill as at 31 December 2020.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation or impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements continued

For the year ended 31 December 2020

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values, over their useful lives on the following basis:

- Fixtures, fittings and equipment: 5 years straight line.
- Computer equipment: 3 years straight line.

Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets are initially measured at fair value plus transaction costs and are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). In 2020, the Group did not hold any Financial Assets measured at FVTPL.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Other receivables are defined as amounts due that are outside the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Contract assets

Contract assets are recognised for licensing fees recognised at inception of a licensing contract but not yet billed under IFRS 15. Contract assets are initially measured at fair value and subsequently measured at amortised cost and are stated net of any expected credit loss provision (ECL) recognised in accordance with IFRS 9, as detailed in Note 13. Contract assets are presented on the Statement of Financial Position as trade receivables. The right to consideration becomes unconditional once the customer has been billed.

Rent deposit asset

Under IFRS 16, a rent deposit is accounted for as a financial asset if:

- The collateral provided to the lessor is not a payment relating to the right to use the underlying assets and hence is not a lease payment as defined;
- The difference between the nominal amount and fair value of the rent deposit at the commencement date represents an additional lease payment which is prepaid and is included in initial carrying amount of the Right of Use (ROU) asset; and
- The prepaid ROU portion is subsequently measured in terms of IFRS 16 i.e. is depreciated over the term of the lease.

Further disclosures are provided in Note 28.

Impairment of financial assets

The Group has considered the impact of the application of an expected credit loss model when calculating impairment losses on current and non-current contract assets and other financial assets at amortised cost (presented within trade and other receivables). In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. Note 13 details the Group's credit risk assessment procedures.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

In 2020 the Group did not hold any Financial liabilities beyond Trade and other payables, Accrued Expenses and the lease liabilities recognised under IFRS 16 as described in the "Leases" sub-section below.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are not interest bearing and are initially recognised at fair value.

Accrued expenses

Accrued expenses are recognised at fair value and are recognised in the accounting period in which those transactions, events, or circumstances occur.

Fair value measurement

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values because of the short period to maturity and credit risk, except for technology licensing contract assets, which comprise both current and non-current balances and are stated net of any expected credit loss provision in accordance with IFRS 9 as detailed in Notes 13 and 23.

Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are charged against the share premium account.

Notes to the Financial Statements continued

For the year ended 31 December 2020

Earnings per share

The earnings per share (EPS) calculations are based on basic earnings per ordinary share as well as diluted earnings per ordinary share. The basic EPS is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares that were in issue during the year. The diluted EPS takes into account the dilution effects which would arise on conversion of all outstanding share options and share awards under the Employee Share Incentive Plan.

Taxation

The tax expense/(credit) represents the sum of the tax currently payable/(repayable) and deferred tax.

An R&D tax credit is claimed annually from HMRC based on the employee costs involved in developing Aquis' systems and technology. It is recognised as a credit to the profit and loss in the year it is received.

Current tax

The current income tax charge/ (credit) is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future measurable taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

EMI Options

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the US Options Binomial model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Employee Share incentive plan

Shares purchased under the share incentive plan are recognised as share-based payments under IFRS 2. Partnership shares are purchased by employees and matching shares are those purchased by Aquis at a ratio of 2:1. The shares are held in a trust ("the Trust"), with matching shares required to be held for three years before being transferred to the employee. The fair value of both the partnership and matching shares are recognised in the share-based payment reserve. Partnership shares vest immediately while matching shares will vest over the three-year holding period. The market value of shares when they are purchased is assumed to approximate the fair value of the shares.

In line with IFRS 10 guidance the cash transferred to the Trust is recognised as an investment in the Company's accounts. The Trust is consolidated in the Group accounts with the fair value of the shares held in the trust recognised as a debit entry within equity.

This accounting treatment was adopted in 2020 and was applied retrospectively in the form of a prior year restatement. Notes 3 and 37 provide further detail on the accounting amendment relating to prior year.

Restricted shares

Restricted shares are share based and will vest three years after the grant date subject to continued employment. Similar to share-based payments they are measured at fair value determined at the grant date using the US Options Binomial model. The fair value is expensed on a straight-line basis over the vesting period, with the corresponding adjustment being made to reserves.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes to the Financial Statements continued

For the year ended 31 December 2020

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are presented as a separate line in the consolidated statement of financial position and are depreciated over the term of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset.

Foreign exchange

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in UK Pound Sterling (£), which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

All foreign exchange gains and losses recognised in the income statement are presented net within 'administrative expenses'.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

3 RESTATEMENT OF COMPARATIVES

Employee Share Incentive Plan

In 2018 a share incentive plan ("SIP") for employees was created. The scheme allows employees to purchase shares in Aquis from their gross salary ("partnership shares"), with Aquis matching the number of shares purchased by the employee at a ratio of 2:1 ("matching shares"). The scheme is administered by a trust "the Trust" to purchase shares on behalf of employees. Matching shares must be held in the trust for three years before they can be sold or transferred.

The SIP was previously accounted for as an expense, with amounts recognised to the profit and loss account as and when payments were transferred to the trust. However, this has been corrected to be accounted for as share-based payments under IFRS 2. This has been applied retrospectively in line with IAS 8, restating the opening balances. Under the revised treatment, the fair value of the shares purchased are recognised as an expense over the vesting period, with a share-based payment reserve being created in the balance sheet. The partnership shares are assumed to vest immediately while the matching shares are assumed to vest over three years. The amount paid or payable to the trust is recognised as an investment in trust in the Company accounts. Management assumes that the cost of the shares is a close approximation of the fair value of the shares as the market price tends to be reflective of the discounted value of research analysts' medium-term projections.

Additionally, as the Company fulfils the definition of control over the trust under the IFRS 10, the shares purchased by the trust and residual cash is consolidated in the Group accounts. Accordingly in the Group accounts, treasury shares are recognised in equity and they offset against the share-based payment reserves over 3 years.

The restatement comprises a £148k reduction in the expense recognised during 2018 and 2019, and recognition of a share-based payment reserve amounting to £157k. The investment in trust in the Company's accounts amounted to £318k and the fair value of the treasury shares recognised in the Group's accounts amounted to £318k in 2019. Note 37 provides further detail on the prior year adjustments made in respect of the share incentive plan.

Expected credit loss model

The ECL model was adjusted to correct the ECL provision recognised in 2019. Note 37 provides further detail on the adjustment.

4 ADOPTION OF NEW AND REVISED STANDARDS AND CHANGES IN ACCOUNTING POLICIES

New IFRS Standards that are effective for the current year

There were no new standards effective during the year ended 31 December 2020.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue and adopted by the EU. The Directors do not expect that the adoption of the Standards listed below will have any impact on the financial statements of the Group in future periods:

IFRS 17	Insurance Contracts
Amendments to IFRS 9, IAS 39 and IFRS 17	Interest rate benchmark reform
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Judgements in relation to performance obligations

In making their judgement, the Directors considered the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether revenue is recognised at a point in time or over time. Following an assessment of the technology licensing contract portfolio, and the obligations that Aquis has under each contract, the Directors are satisfied that obligations contained therein be split into the following performance obligations, and that the revenue from each licensing contract should be assessed individually. The identified performance obligations and the timing of revenue recognition on delivering the licence contracts as follows:

- Implementation/ project fees: these are upfront, non-refundable fees that a customer pays in order to obtain the user agreement. Even if the user acceptance certificate is never issued, the implementation fee cannot be reclaimed and so the revenue is guaranteed and can be recognised at the time of invoice as Aquis becomes unconditionally entitled to payment.

Notes to the Financial Statements continued

For the year ended 31 December 2020

- Licensing fees: The customer is liable to pay the monthly licensing fee from the date of signing the user acceptance agreement (contract inception date). At this point in time Aquis has fulfilled its promise to deliver the licence (i.e. the system has been deployed in the client's production environment) and this performance obligation is fulfilled. Management uses judgement when assessing the recoverability of the licencing fees, and recognises them only when their collection is assumed to be highly probable. This assessment takes into consideration the current status of the client's business, including whether the exchange system is active with products/ securities added and members trading on it. The licensing fees are recognised at a point in time, which occurs after the contract is signed and once Aquis is satisfied that receiving the licencing fees is highly probable.

- Maintenance fees: fees to maintain the system are recognised over the course of the licensing contract as Aquis fulfils its performance obligation to maintain the system. In management's judgement maintenance fees comprise between 3-5% per annum of the overall value of the contract reflecting time spent supporting the client's platform and upgrading the software in accordance with the contractual terms.

Changes in identification of performance obligations could impact the timing of revenue recognition for licensing contract assets and is thus a critical accounting judgement.

Critical accounting estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Capitalisation of internally generated intangible assets resulting from Research and Development

Internally generated Intangible assets are capitalised when, in management's judgement, the criteria for capitalisation under IAS 38 (listed in Note 2) have been met. The direct costs incurred in the research and development of Aquis' exchange platform and associated technology and systems are capitalised.

Management reviews the time spent by the development team in developing and maintaining the systems used internally by Aquis when determining the amount to be capitalised within each period.

Estimating the useful life of intangible assets

The expected useful life of an intangible asset is estimated to be 3 years. In making this judgement management have taken into account product upgrade cycles, the pace of change of regulation as well as benchmarking against other companies with internal systems and technology research and development.

Expected credit loss of contract assets

An impairment for the expected credit loss of contract assets that arise as a result of applying IFRS 15 to licensing revenue is required under IFRS 9. This impairment is an accounting estimate which is calculated based on the Directors' best estimates of the probability of default and loss given default. The quantification of the assumptions and stresses for the year are disclosed in Note 13 of the financial statements.

In arriving at these estimates, the Directors have assessed the range of possible outcomes using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions.

The credit risk assessment is conducted by means of a take-on assessment which comprises of a series of relevant criteria for a licensing contract that are scored according to the specific circumstances of the customer, with scores for each parameter typically ranging from 1-4. The assessment evaluates the following:

- Level of funding;

- Regulatory approvals;

- Market, industry and business model;

- Macro-economic forecasts;

- Corporate governance/ Group management;
- Whether the client is revenue generating;
- Level of client profitability;
- Contract length and the associated range of economic scenarios therein;
- Payment history; and
- External credit ratings.

The above assessment will determine the customer category upon inception of the contract, and the inputs to the expected credit loss model is determined thereon.

The credit risk assessment and associated inputs to the expected credit loss model (probability of default and loss given default) are critical assessments that could impact both the provision for expected credit losses as well as the movement in the provision reflected in the income statement.

Deferred tax asset

Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction. A deferred tax asset of £203,717 is recognised in the current period, since profitability is expected to continue for at least the next 3 years. The deferred tax asset is calculated based on expected profitability over this period as Aquis is a high growth company and there is considerable uncertainty in estimating financial performance beyond this length of time.

Various factors are used to assess the probability of the future utilisation of deferred tax assets, including, operational plans and loss-carry forward periods. To reflect the uncertainty in the accuracy of business forecasts, the model uses modest growth rates and discount rates on each type of revenue based on probabilities. The impact of flexing the discount rates used by +2%/-2% for exchange and data revenue and by +5%/-5% for new licencing contracts would be +£147,604/-£171,169, so that the deferred tax asset would be £351,321 in an upside scenario with lower probability discount rates or £32,548 in a downside scenario with higher probability discount rates.

Share-based payments

The US binomial model is used to estimate the value of the EMI options and the restricted shares. The resulting values are recognised straight-line over the vesting period as an expense, with the corresponding amounts recognised as equity in the balance sheet. The model requires the following inputs: grant date, exercise price, expiry, expected life of options, expected volatility, and the risk-free interest rate. The expected life and expected volatility require the use of estimates. Volatility is estimated based on the historical average for the available data up to the grant date, while the expected life of the options is based on management's judgement of when the options will be exercised, which is assumed to be an average of 5 years. For the EMI options granted during the year, a 5% decrease/increase in expected volatility leads to a +£41,732/-£42,347 variance in the 2020 expense. Similarly, for a 1 year increase/decrease in the expected life of the options, this would lead to a +£16,592/-£18,603 variance. Note 15 provides further disclosure on the amounts recognised in these financial statements.

6 CORPORATE INFORMATION

Aquis Exchange PLC (the 'Group') is licensed to operate a multilateral trading facility (MTF) enabling members to trade across fourteen European markets and to provide exchange software under licence.

Notes to the Financial Statements continued

For the year ended 31 December 2020

7 FINANCIAL RISK MANAGEMENT

The Group seeks to protect its financial performance and the value of its business from exposure to adverse changes in capital commitments, as well as credit, liquidity and foreign exchange risks.

The Group's financial risk management approach is not speculative. The Group's Audit, Risk and Compliance Committee provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Group risk management framework.

The Group's objectives when managing these risks are detailed below.

Capital risk management and capital commitments

Risk Description	Risk management approach
There is a risk that Group entities may not maintain sufficient capital to meet their obligations. The Group comprises regulated entities. It considers that: • Increases in the capital requirements of its regulated companies, or • A scarcity of equity (driven by its own performance or financial market conditions) either separately or in combination are the principal risks to managing its capital.	The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders. The Group maintains a level of capital that is well in excess of regulatory requirements. Maintaining a strong capital structure is a key priority for the Group. If there was an erosion of capital for any reason the Group may issue new shares, return capital to shareholders or sell assets to ensure capital adequacy requirements are met (referenced in table below). The Group continuously monitors its level of capital in order to ensure it remains compliant with regulatory capital requirements. Aquis reviews capital resources and requirements on a monthly basis. Proposed investment requirements, capital expenditure and potentially increasing capital resources through equity or debt issuance are assessed annually as part of the budgeting process, as well as on an ad-hoc basis as required. The Group supports both Aquis Europe and AQSE in maintaining capital adequacy, and holds sufficient capital to be able to inject capital into the businesses as and when required.

The ROA is the amount of net profit/(loss) returned as a percentage of total assets.

Group

	2020 £	2019 Restated £
Profit/(loss) for the year	981,728	656,582
Total assets as at 31 December	18,814,123	16,441,274
Return on assets (%)	5%	–4%

There was no capital expenditure contracted for at the end of the reporting year that had not been provided for.

Credit risk

Risk Description	Risk management approach
The Group's credit risk relates to its customers being unable to meet their obligations to the Group either in part or in full.	The Directors make a judgement on the credit quality of the Group's customers based upon the customers' financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions. Based on this assessment, the prospective customer is assigned to a customer category with an appropriate risk rating. Aquis has also considered the impact of the Coronavirus pandemic on credit risk by incorporating an assessment of how COVID-19 has affected the risk profile of each client, modifying risk ratings where necessary. Aquis' credit risk management processes are applied to all trade receivables and are calculated using a lifetime ECL method, as detailed in Note 13.

Liquidity risk

Risk Description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.	The Group maintains sufficient liquid resources to meet its financial obligations as and when they become due in the ordinary course of business. Management monitors forecasts of the Group's cash flow quarterly through an assessment of cash resources that are in excess of regulatory capital requirements. The Group is solvent with net current assets in excess of £12.1 million (2019: £11.2 million), with the majority of the debtor's book being short term in nature. The Group is also funded entirely by equity, with no external debt funding obligations to be met.

The Group is not materially exposed to market risk including interest rate or foreign exchange risk.

The following tables detail the Group and Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Company can be required to pay. There is no exposure to interest rate changes since the group and company have no external debt obligations, and the interest rate on the lease liability is the rate implicit in the lease and as such is not subject to change over the term of the lease.

Group

31 December 2020	1 Year £	2-5 years £	5+ years £	Total £
Trade and other payables	2,616,097	–	–	2,616,097
Lease Liabilities	194,613	714,704	280,377	1,189,694
	2,810,710	714,704	280,377	3,805,791
31 December 2019				
Trade and other payables	1,499,574	–	–	1,499,574
Lease Liabilities	188,610	692,685	497,037	1,378,304
	1,688,184	692,685	497,037	2,877,878

Notes to the Financial Statements continued

For the year ended 31 December 2020

Company

31 December 2020	1 Year £	2-5 years £	5+ years £	Total £
Trade and other payables	2,097,493	–	–	2,097,493
Lease Liabilities	194,613	714,704	280,377	1,189,694
	2,292,106	714,704	280,377	3,287,187

31 December 2019				
Trade and other payables	1,467,826	–	–	1,467,827
Lease Liabilities	188,610	692,658	497,037	1,378,304
	1,656,436	692,658	497,037	2,846,130

Both the Group and the Company have no derivative financial liabilities.

Foreign exchange

Risk Description	Risk management approach
The Group operates in the UK and Europe, with Sterling as its principal currency of operation. The Group companies invoice revenues and incur the majority expenses in GBP. A relatively small percentage of the overall Group's expenses are incurred in Euros in relation to the French subsidiary. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling. An immaterial amount of cash held by Aquis Exchange Europe SAS is held in a euro denominated bank account, with the remaining cash held in a Sterling denominated bank account, hedging the Group against foreign exchange fluctuations in cash and cash equivalents. Since the net asset value of the Aquis Exchange Europe SAS is predominately comprised of cash, there is negligible exposure to the Group of foreign exchange rate fluctuations.	In order to mitigate the impact of unfavourable currency exchange rate movements on consolidated earnings and net assets, Aquis Exchange Europe SAS maintains the majority of its net assets (primarily comprising of regulatory cash) in a Sterling denominated bank account so as to minimise fluctuations in the GBP/EUR exchange rate on a consolidated basis.

8 OPERATING SEGMENTS

The Aquis Group can be split into 3 operating segments, each offering multiple products and services and benefitting from Group synergies. The specific focus of these activities are:

1) Aquis Exchange – operator of MTF and related services. The Group operates two MTFs: Aquis Exchange (AQXE), which is UK regulated and Aquis Exchange Europe (AQEU), which is French regulated. Another revenue stream for this division is the provision of data services to third party vendors;

2) Aquis Stock Exchange (AQSE) – primary listings and trading business. Within this division is AQSE Main Market, AQSE Growth Market, AQSE Trading and the provision of data services;

3) Aquis Technologies – developer of exchange technology and services. The product offering includes Aquis Matching Engine, Aquis Market Surveillance, Aquis Market Gateway and related services including market surveillance and operations.

Aquis Exchange PLC is the parent company and comprises AQXE and Aquis Technologies. It owns 100% of its two subsidiaries, AQEU and AQSE. Management monitors the Group's overall performance regularly using a set of established Key Performance Indicators including revenue, net profit and EBITDA. When monitoring the performance of each operating segment individually, management examines the discrete financial information available which will normally include revenue and gross profit for each division. In line with IFRS 8 the operating segments are reported separately as follows:

2020	AQXE & AQEU	AQSE	Aquis Technologies	Total
Revenue	7,936,036	1,221,517	2,319,700	11,477,252
Impairment charge	(97,760)	(2,414)	–	–
Operating costs	(6,687,237)	(1,754,950)	(1,413,740)	(9,855,927)
Gross profit / (loss)	1,151,039	(535,847)	905,960	1,521,152
Depreciation, amortisation and net interest	(1,050,757)	–	–	(1,050,757)
Profit / (loss) before tax from continuing operations	100,282	(535,847)	905,960	470,395

In the current year, due to the expansion of the technology licencing business and the acquisition of Aquis Stock Exchange, Management has decided it is appropriate to assess business performance based on the three operating segments identified above. In previous years, Management monitored the performance of both the exchange business and the technology licencing business under one operating segment. For comparative purposes the 2019 financial performance of the exchange and licencing businesses has been restated under separate operating segments in the following table:

2019	AQXE & AQEU	AQSE	Aquis Technologies	Total
Revenue	5,622,632	–	1,269,362	6,891,994
Impairment credit	284,993	–	–	–
Operating costs	(5,998,794)	–	(1,172,422)	7,171,216
Gross loss	(91,169)	–	96,940	5,771
Depreciation, amortisation and net interest	(927,607)	–	–	(927,607)
Loss before tax from continuing operations	(1,018,776)	–	96,940	921,836

The tables above represent the segment-level information that is monitored by the Chief Operating Decision Makers, which are the Chief Executive Officer and the Chief Financial Officer. All non-current assets are held centrally by Aquis Exchange PLC. There were no non-current assets located outside the UK as at 31 December 2020.

9 EMPLOYEES

The monthly average number of persons (including Executive Directors) employed by the Group during the year was:

Group

	2020 Number	2019 Number
Management	2	2
IT	20	18
Compliance and Surveillance	8	4
Operations	6	5
Business Development	6	5
Finance	3	2
Marketing	1	1
	46	37

Notes to the Financial Statements continued

For the year ended 31 December 2020

The average number of persons (including Executive Directors) employed by the Company during the year was:

Company

	2020 Number	2019 Number
Management	2	2
IT	19	17
Compliance and Surveillance	4	4
Operations	5	4
Business Development	4	4
Finance	2	2
Marketing	1	1
	37	34

Their aggregate remuneration was comprised of:

Group

	2020 £	2019 Restated £
Wages and salaries	4,573,007	3,390,768
Social security costs	718,885	436,448
Other pension costs	138,891	274,154
Share-based payments	392,897	210,403
Employee benefits	148,992	–
	5,972,673	4,311,773

Company

	2020 £	2019 Restated £
Wages and salaries	3,535,759	3,192,131
Social security costs	519,061	365,363
Other pension costs	112,907	274,154
Share-based payments	363,164	210,403
Employee benefits	148,633	–
	4,679,524	4,042,051

10 RETIREMENT BENEFIT SCHEME

Defined contribution schemes

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total costs charged to income in respect of defined contribution scheme are £112,907 (2019: £274,154).

11 DIRECTORS' REMUNERATION

Group

	2020 £	2019 £
Salaries, fees and bonuses	1,082,020	791,300
Taxable benefits	13,253	15,895
Share-based payments	69,268	175,588
Remuneration for qualifying services	1,164,541	982,783

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2019 £
Salary and bonus	385,896	293,150
Taxable benefits	5,664	7,693
Share-based payments	34,634	59,445
Remuneration for qualifying services	426,194	360,288

Company

	2020 £	2019 £
Salaries, fees and bonuses	998,917	791,300
Taxable benefits	13,253	15,895
Share-based payments	69,268	175,588
Remuneration for qualifying services	1,081,438	982,783

12 REVENUE

An analysis of the Group's revenue is as follows:

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Revenue analysed by class of business				
Subscription fees	7,738,284	5,285,000	7,111,000	5,021,000
Technology licensing fees	2,319,700	1,269,362	2,319,700	1,269,362
Data vendor fees	894,867	337,632	429,628	337,632
Issuer fees	524,402	–	–	–
	11,477,253	6,891,994	9,860,328	6,627,994

Revenues from customers attributable to the United Kingdom and the rest of the world is as follows:

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Revenue analysed by region				
United Kingdom	8,780,442	5,200,390	7,767,475	5,200,390
Rest of World	2,696,811	1,691,604	2,092,853	1,427,604
	11,477,253	6,891,994	9,860,328	6,627,994

Notes to the Financial Statements continued

For the year ended 31 December 2020

Subscription fees and data vendor fees:

Subscription fees and some data vendor fees are accounted for under IFRS 15 and are all recognised at point in time as they reflect variable revenue determined on a monthly basis.

In addition to the variable monthly fee some AQSE data vendors pay an annual fee for access to real time and/or end of day data, which is recognised over time as the performance obligation of providing data is fulfilled.

The Group begins to recognise monthly subscription fees, data vendor fees, and connectivity fees when the customer conformance test is satisfactorily concluded, and an acceptance certificate is issued. This is then verified by the customer starting to utilise the platform, which is the point in time that the Group determines that the customer has obtained control of the goods.

The Group determines the transaction price based primarily on the competitive landscape. In the case of subscription, connectivity and data fees, invoices are raised monthly in arrears and there is no obligation for a refund, return or any other similar obligation. There is no constrained variable consideration in any customer contracts, and the transaction price is allocated in full at a single point in time when the customer obtains control of the goods.

Licence fees:

Aquis Exchange PLC provides technology services under licence to clients. The services comprise the provision of an exchange platform and / or a surveillance system and may also include support services comprising basic infrastructure support or additional services (including with the Software as a Service ("SaaS") model, for example with some surveillance clients). The duration of the licences varies between 1 and 5 years and will consist of an implementation fee, and, post implementation, a monthly licence fee for the duration of the contract. The monthly fees also cover system maintenance and system upgrades that typically occur every 12 – 18 months. The licensing contracts are accounted for under IFRS 15 and any corresponding contract assets are subject to IFRS 9 provisioning, as disclosed further in Note 13.

The revenue from licensing contracts with customers has been categorised reflecting the nature, amount, customer categorisation (see also Note 13), contract duration and uncertainty of revenue and cash flows. Revenue from licensing contracts is assessed for each contract and is recognised as and when each performance obligation is satisfied.

The Company determines the transaction price of the licensing contract based primarily on the competitive landscape. For licensing contracts, the Company has assessed the expected credit loss of each client individually. The transaction price is allocated according to the Group's obligations to the client over the course of licence period. There is no constrained variable consideration in any customer contracts.

The licensing fees line item also includes connectivity fees for licensing contract customers that are recognised at a point in time as they reflect variable revenue determined on a monthly basis, and are underpinned by a separate agreement.

Performance obligation (PO)	Recognition of revenue upon completion
PO1: Implementation fees	Implementation/ project fees are upfront, non-refundable fees that a customer pays in order to obtain the user agreement. Even if the user acceptance certificate is never issued, the implementation fee cannot be reclaimed and so the revenue is guaranteed and can be recognised at the time of invoice as Aquis becomes unconditionally entitled to payment.
PO2: Licensing fees	At a point in time upon signing the user acceptance agreement, as the Company has fulfilled its promise to deliver the licence (i.e. the system has been deployed in the client's production environment). A corresponding contract asset (trade receivable) is recognised to reflect the customer's obligation to pay the monthly licensing fee over the remaining term of the contract.
PO3: Maintenance fees	Over the course of the licensing contract, as the performance obligation to maintain the system is settled and the customer benefits from using the system.

The aggregate amount of the transaction price per customer category that has been allocated to the performance obligations for the year is as follows:

Group

	2020				2019			
	£	£	£	£	£	£	£	£
Category	1	2	3	4	1	2	3	4
				–				
PO1	50,000	–	–		135,000	–	–	50,000
PO2	1,201,754	–	451,440	–	171,000	–	203,707	247,608
PO3	27,006	111,883	11,577	5,160	740	128,995	18,287	4,453
	1,278,760	111,883	463,017	5,160	306,740	128,995	221,994	302,133

Customer risk category definitions: 1 – High, 2 – Moderately High, 3 - Moderately Low and 4 – Low.

Issuer fees:

Issuer fees are accounted for under IFRS 15 and are recognised over time. They can be separated into the following categories:

Application and admission fees: These are charged upfront to prospective companies wishing to be admitted to AQSE. They are recognised monthly over the expected life of a company's admission.

Annual fees: These are fees paid annually by companies listed on AQSE. They are charged in advance and are recognised over the year.

Further issue fees: These are charged to companies already listed on AQSE wishing to issue further securities. In this case revenue is recognised at the point in time of the further issue.

13 IMPAIRMENT

IFRS 9 provisioning is applied to technology licensing contract assets and to other trade receivables based on management estimates of the collectability of contracts over their useful life, and which are re-assessed at each renewal. The Group applies a simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets and therefore the ECL for each contract is assessed on a lifetime basis rather than at each reporting date. As the simplified approach is adopted it is not necessary to consider the impact of a significant increase in credit risk.

The Group has two types of financial assets that are subject to the expected credit loss model:

- Contract assets relating to technology licensing contracts; and
- Trade receivables relating to services provided by AQSE.

The Group have concluded that the trade receivables and contract assets have different risk characteristics and therefore the expected credit loss rates for each type of asset are measured separately. Since they comprise a portfolio of only a small number of clients, contract assets have been assessed on a client-by-client basis while trade receivables have been grouped based on shared credit risk characteristics and the days past due. Further details on both methodologies can be found below.

Notes to the Financial Statements continued

For the year ended 31 December 2020

The movement in the provision balance was affected by the recognition of an ECL on AQSE trade receivables, the release of the ECL on existing contracts, the recognition of an ECL against new contracts, and the reversal of a provision against a technology licencing contract that was terminated during the year. The movements in the provision balance are shown in the table below The balance outstanding at the reporting date represents the exposure at default (EAD).

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Balance of impairment provisions at 1 Jan 2020	410,841	695,834	410,841	695,834
AQSE ECL Provision at 11 March	15,256	–	–	–
ECL write off[1]	(9,236)	–	(9,236)	–
Impairment charge/(credit)	109,410	(284,993)	106,998	(284,993)
Balance of impairment provisions at the end of the year	526,271	410,841	508,601	410,841

1 The ECL write off relates to a reversal of the ECL provision following the early termination of a licencing contract during the year. This resulted in a corresponding write off of trade receivables amounting to £104k.

Technology licensing contract assets

During contract negotiation Aquis assesses the potential credit risk of a prospective client prior to committing to the contract. Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions. Based on this assessment, the prospective customer is assigned to a customer category with an appropriate risk rating. A probability of default occurring during the lifetime of the contract (PD) ranging from 0-50% is applied to each client based on the assigned risk category. The model has been enhanced during the year with a lifetime PD applied to each year of the contract, based on the assumption that the PD will reduce over time.

The credit risk of Aquis' technology clients ranges from those that are in infant start up stages (i.e. riskier) to those that are highly liquid and solvent conglomerates (little to no risk). As such, the Directors view the range of PD's for the portfolio to be between 50% for those with the highest level of risk to 0% for those that are so near to a zero level of risk that the PD is zero in substance. The Directors are comfortable that 50% is sufficiently accurate to reflect the elevated risk associated with each start up when considering the idiosyncratic circumstances and risk factors of each client. The Directors would not enter into any contract where the PD is deemed to be any higher than 50%.

The loss given default is also quantified on a customer-by-customer basis and is done through an assessment of the recovery rate the Directors anticipate will be applied to the customer in the event of liquidation. Currently the low number of technology clients allows Aquis to assess each contract individually on the appropriate credit risk category, and this is determined based on several factors including any future macro-economic changes, the sensitivity to these potential changes and the impact that these may have on the recoverability of the outstanding debt.

The portfolio of technology contracts held by Aquis have PDs that have an observable relationship with time, i.e. the PD will decrease each year as the contract progresses. The credit risk of the contracts is directly linked to the success of the business and its ability to raise capital, which increases each year the company successfully continues in operation.

Although the full risk assessment is completed only at the start of the contract and at each renewal date, Aquis regularly assesses whether macro-economic factors could have a bearing on the success of the client and the recoverability of the outstanding debt.

The £508,601 expected credit loss provision for the year (2019: £410,841) has been calculated with reference to estimations based on the probability of default and a loss given default as described above, and has been analysed for each individual contract taking into account the nature, amount, customer categorisation, contract duration and uncertainty of revenue and cash flows.

As at 31 December 2020, the average contract duration for the portfolio of technology contracts is 2.7 years. The contracts are short-to-medium term in length and the ECL model incorporates the impact of a significant change in macroeconomic circumstances on the expected PD over the life of the contracts. The macroeconomic variables are based on 3-year average forecast rates for 2021-2023, which is an appropriate timescale based on the average contract duration. The baseline rates are defined using the rates forecast by the Monetary Policy Committee ("MPC"). The macroeconomic indicators used in the analysis are as follows:

Macroeconomic Indicators 3 year forecast average 2021-2023	Downside %	Baseline %	Upside %
UK GDP	0.2%	5.2%	7.2%
UK unemployment	7.3%	5.3%	4.3%
UK CPI Inflation	0.1%	2.1%	2.6%

In order to quantify the impact of movement in credit losses that occur as a result of macro-economic developments, the Directors have flexed the probability of default associated with each client category in three scenarios: a baseline scenario (maintaining the status quo, keeping each assessment criteria reflecting current client circumstances and forecast macroeconomic indicators), a downside scenario (prolonged recession), and an upside scenario (fast economic recovery). The model incorporates all three possible outcomes by attaching a probability weighting to each scenario. The range of outcomes is detailed in the table below:

Company At 31 December 2020	Downside £	Baseline £	Upside £
Impairment provision	523,727	476,115	452,310
Impact on PD	+10%	–	–5%
Probability weighting	35%	50%	15%

The ageing debtor profile for the technology licensing contract assets was as follows:

Contract assets	2020 £	2019 £
Current	2,141,397	1,814,090
More than 30 days past due	25,000	10,000
More than 60 days past due	25,000	10,000
More than 90 days past due	45,000	10,000
More than 180 days past due	–	–
Total	2,236,397	1,844,090

A total of £104,272 was written off during the year relating to debts where there was no reasonable expectation of recovery.

Expected credit loss of Aquis Stock Exchange trade receivables

In line with IFRS 9 guidance, the Group has applied a simplified "Expected Credit Loss" (ECL) model on AQSE trade receivables. In doing so the Group has considered the probability of a default occurring over the contractual life of the financial asset on initial recognition of the asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. When a trade receivable is determined to be uncollectible, it is written off against the provision account for trade receivables.

The simplified provision matrix is based on historic default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The trade receivables balance is split into 5 separate categories depending on the age of each debt, ranging from 0 days past due to over 90 days past due. An appropriate estimation of the probability of default is applied to each category of debt, based on both historical default rates and expectations for the future, including the implementation of Group credit control policies to AQSE debts that existed at the acquisition date.

The key assumptions in calculating the ECL for AQSE trade receivables are that the probability of default increases with the age of the debt and that the debts are homogenous, i.e. the credit risk assessment is based on age rather than by individual client. The expected loss rates are based on historical analysis of credit losses experienced within the 9.5 months since the acquisition and adjusted to reflect current and forward-looking information including the implementation of more stringent credit control policies since acquisition. AQSE trade receivables

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have been assessed to have a higher risk of impairment than the rest of the Group's trade receivables due to a number of older debts being identified and written off on acquisition.

Trade receivables have payment terms of 30 days from the date of billing. For debts older than 90 days, debts are assessed on a case-by-case basis and are written off if there is no reasonable expectation of recovery. During the year a total of £29,240 of trade receivables were written off relating to debts from companies that had ceased membership with AQSE. The contractual rights to cash flows from the financial assets were deemed to have expired.

The total loss allowance calculated by applying the expected loss rate to the trade receivables balance in each age bucket. The total portion of the ECL balance relating to AQSE trade receivables as at 31 December 2020 was £17,670 which was comprised as follows:

Days past due	0 days	1–29 days	30–59 days	60–89 days	90–124 days	125 – 149 days	150–179 days	Over 180 days
Expected loss rate	1%	1%	3%	5%	10%	25%	50%	75%
Trade receivables (£)	57,715	43,640	18,745	2,770	17,910	–	–	19,270
Provision (£)	289	436	562	139	1,791	–	–	14,453

14 ADMINISTRATIVE EXPENSES

Operating loss is stated after charging:

	Group		Company	
Administrative expenses	2020 £	2019 Restated £	2020 £	2019 Restated £
Fees payable to the Group's auditors for the audit of the Group's financial statements	225,559	79,991	126,431	50,950
Fees payable to the Group's auditor for the Client Asset audit	6,300	6,300	6,300	6,300
Share-based payments (Note 15)	392,897	210,403	363,164	210,403
Exchange loss/(gains)	5,958	(7,483)	6,144	(7,483)
Employee costs	5,579,775	4,101,370	4,316,360	3,831,648
Other administrative expenses	3,645,438	2,780,635	2,624,795	2,749,022
	9,855,927	7,171,216	7,443,194	6,840,840

Other administrative expenses comprise marketing fees, data centre and other service fees incurred in the ordinary course of business.

Profit before taxation is stated after charging:

	Group		Company	
Depreciation, amortisation and finance costs	2020 £	2019 £	2020 £	2019 £
Depreciation of property, plant and equipment	550,620	481,611	550,620	481,611
Amortisation of intangible assets	479,670	446,580	479,670	446,580
	1,030,290	928,191	1,030,290	928,191
Net finance expense (Note 28)	35,099	41,115 –	35,099	41,115 –
	1,065,389	969,306	1,065,389	969,306

Total expenses were as follows:

	Group		Company	
Total expenses	2020 £	2019 £	2020 £	2019 £
Expenses	10,921,316	8,140,522	8,508,583	7,810,146

15 SHARE-BASED PAYMENTS

The table below shows the total expenses arising from share-based payment transactions recognised during the period as part of employee expenses:

	Group		Company	
	2020	2019 Restated	2020	2019 Restated
EMI options granted	227,084	120,245	205,601	120,245
Restricted share awards	55,317	–	55,317	–
Shares purchased under Employee Share Incentive Plan	110,496	90,158	102,243	90,158
	392,897	210,403	363,164	210,403

Employee Share Incentive Plan

The share incentive plan is administered by Equiniti ("the Trust"). The Trust purchases shares in Aquis on the open market on behalf of employees that have elected to take part. The scheme allows employees to become shareholders in the Company in a tax efficient manner, with the Company purchasing two matching shares for every partnership purchased by the employee. The terms of the matching shares include that they must be held by the Trust for three years before they can be transferred or sold, and the employee must remain employed with the Company throughout this period. The fair value of the matching shares purchased by the company are expensed over the three year vesting period. Management assumes that the cost of the shares is a close approximation of the fair value of the shares as the market price tends to be reflective of the discounted value of research analysts' medium-term projections.

During the year a total of 50,127 shares were awarded, 6,729 vested and 2,218 were forfeited, with a fair value of £124,510, £30,281 and £9,981 respectively. The following table shows the number of shares held in the Trust at the reporting date:

	2020	2019
Employee Share incentive plan		
Number of shares issued under the plan to participating employees	104,656	63,476

EMI Share Options

There is one approved EMI scheme, which was initiated in June 2018 when the first options were granted. In April 2020 the second allotment approved in and deferred from November 2019 because Aquis was in a close period was made with a total of 740,250 options being granted. Options vest in 3 equal tranches, one, two and three years after grant. The options expire after 10 years.

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Of the total number of options granted, 20,137 were exercised, none expired and 11,098 were forfeited during the year.

In accordance with IFRS 2, the Group has estimated the fair value of options using a US binomial option valuation model and spread the estimated value against the profit and loss account over the life of the vesting period.

The exercise price for the options granted on 14 June 2018 is £2.69 per share to be settled in cash at the date of exercise. The weighted average remaining contractual life of options outstanding at the end of the reporting period amounted to 5.5 months.

The US binomial model with an average expiry duration of 5 years, volatility of 24 and risk-free interest rate of 1.1067% was used to calculate the fair value of the options granted on 14 June 2018. All options are exercisable at a price of £2.69 and the weighted average expected life of the options is estimated to be 5 years.

The exercise price for the options granted on 16 April 2020 is £3.47 per share to be settled in cash at the date of exercise. The weighted average remaining contractual life of options outstanding at the end of the reporting period amounted to 2 years 3.5 months.

The US binomial model using an average expiry duration of 5 years, volatility of 20 and risk-free interest rate of 0.16% was used to calculate the fair value of the options granted on 16 April 2020. All options are exercisable at a price of £3.47 and the weighted average remaining expected life of the options is estimated to be 5 years.

Details of the EMI scheme are as follows:

• Outstanding at the beginning of the period	560,406
• Granted during the period	740,250
• Forfeited during the period	(11,098)
• Exercised during the period	(20,137)
• Expired during the period	–
• Outstanding at the end of the period	1,269,421
• Exercisable at the end of the period	351,918

16 INVESTMENT INCOME

	Group		Company	
Interest income	2020 £	2019 £	2020 £	2019 £
Bank deposits	14,632	41,699	14,632	36,303

17 BUSINESS COMBINATION

On 11 March 2020 Aquis Exchange PLC acquired 100% of the issued share capital of NEX Exchange Limited, a UK based Recognised Investment Exchange. It has since been rebranded as Aquis Stock Exchange (AQSE). The acquisition has broadened the Group's service offering, including the ability to offer companies wishing to go public a primary listing on its growth market. It complements the existing exchange services of the Group and has enabled the Group to expand its strategic offering. Further details can be found in the Strategic Report.

Details of the purchase consideration is as follows:

Purchase consideration	£
Cash paid	2,877,118

The assets and liabilities recognised as a result of the acquisition are as follows:

Group	£
Current assets:	
Cash	2,617,718
Trade and other receivables	653,390
Current liabilities:	
Trade and other payables	(477,471)
Add: Goodwill	83,481
Net assets arising on acquisition	2,877,118

The assets acquired and liabilities assumed have been recognised at their fair values measured at the acquisition date. There were no intangible assets identified at the acquisition date.

In the year ended 31 March 2020, AQSE delivered revenues of £1.6m and a loss before tax of £1.6m. The Group has brought the year end of AQSE to 31 December in line with other Aquis Group companies. The consolidated results to 31 December 2020 include the 9.5 months results for AQSE from 11 March to 31 December 2020.

The acquired business contributed revenues of £1.2m and a loss before tax of £0.5m to the Group for the period of 9.5 months from 11 March to 31 December 2020.

There were no acquisitions in the year ending 31 December 2019.

18 DEFERRED TAX ASSET

A deferred tax asset of £203,717 relating to unused tax losses has been recognised in the current period. The losses are considered to be able to offset against the Company's taxable profits expected to arise in the next three accounting periods. The assessment of future taxable profits involves a significant degree of estimation, which management have based on the latest budget for the Company approved by the Board which reflects the improved trading performance largely due to the continued expansion of the business as discussed in the Strategic Report. The preparation of the budget involves a rigorous review process by the Board, whereby each revenue stream and cost is scrutinised and challenged in detail so that the final version is considered to be an accurate and plausible representation of what is likely to be achieved in the period.

In calculating the deferred tax asset, management have applied a conservative approach by using probability-adjusted revenues, applying lower probabilities to budgeted revenue from more uncertain sources such as large technology licensing contracts, with the effect of reducing estimated profits over the 3-year period from the original forecasts. The analysis predicts profitability is still achievable even when revenues are reduced to reflect this adjustment. The model uses modest growth rates and is sensitive to the discount rate used in each year. The impact of flexing the discount rates used upwards or downwards within a reasonable range would be +£147,604/-£171,169, so that the deferred tax asset would be £351,321 in an upside scenario with lower probability discount rates or £32,548 in a downside scenario with higher probability discount rates.

A deferred tax balance of £9,642,727 based on the remaining unused losses of the Group has not been recognised. The losses can be carried forward indefinitely and have no expiry date. Of this balance, £3,011,951 relates to the unrecognised deferred tax balance of the Company.

There was no deferred tax asset recognised in 2019.

The deferred tax balance comprises temporary differences attributable to:

Group and Company Deferred tax	2020 £	2019 £
Tax losses	203,717	–
Total deferred tax asset	203,717	–

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Movement in deferred tax balance:

Group and Company Movements	£
At 1 January 2020	–
(Charged)/credited to profit or loss	203,717
At 31 December 2020	203,717

The Group has combined losses of £51,941,924 (2019: £18,386,969) available for carry forward and to be used against future trading profits of the same trade in which they were generated. This is comprised of trading losses totalling £51,511,244 generated in the UK by Aquis Exchange PLC and Aquis Stock Exchange Limited and losses totalling £430,681 generated in France by Aquis Exchange Europe SAS.

The Company has estimated losses of £17,043,108 (2019: £18,386,969) available for carry forward against future trading profits.

19 INCOME TAX CREDIT

	Group		Company	
Current tax	2020 £	2019 Restated £	2020 £	2019 Restated £
R&D tax credit	(307,616)	(265,254)	(307,616)	(265,254)

The credit for the year can be reconciled to the profit/(loss) per the income statement as follows:

	Group		Company	
	2020 £	2019 Restated £	2020 £	2019 Restated £
Profit/(loss) for the year before taxation	470,395	(921,836)	1,268,618	(860,856)
Expected tax charge/(credit) based on a corporation tax rate of 19.00%	89,375	(175,149)	241,037	(163,563)
Effect of expenses not deductible in determining taxable profit	55,246	33,784	51,165	72,596
Unutilised tax losses carried forward	70,204	195,301	–	144,903
Losses utilised against taxable profits	–	–	(77,377)	–
Permanent capital allowances in excess of depreciation	34,109	(52,765)	34,109	(52,765)
Depreciation on assets not qualifying for tax allowances	846	(1,171)	846	(1,171)
Additional R&D allowance for qualifying expenditure	(247,000)	–	(247,000)	–
Non-trade loan relationship credits	(2,780)	–	(2,780)	–
Research and development tax credit	(307,616)	(265,254)	(307,616)	(265,254)
Taxation credit for the year	(307,616)	(265,254)	(307,616)	(265,254)

20 EARNINGS PER SHARE

	Group		Company	
Number of Shares	2020	2019	2020	2019
Weighted average number of ordinary shares for basic earnings per share	27,164,230	27,149,559	27,164,230	27,149,559
Weighted average number of ordinary shares for diluted earnings per share	28,281,234	27,713,683	28,281,234	27,713,683
Earnings				
Profit/(Loss) for the year from continued operations	981,728	(671,327)	1,779,951	(610,347)
Basic and diluted earnings per share (pence)				
Basic earnings/(loss) per ordinary share	4	(3)	7	(3)
Diluted earnings/(loss) per ordinary share	3	(3)	6	(3)

Basic earnings per share is in respect of all activities of the Group and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of all outstanding share options and share awards.

21 INTANGIBLE ASSETS

	Group Developed trading platforms	Group Goodwill	Company Developed trading platforms
Cost			
As at 01/01/2019	1,493,055	–	1,493,055
Additions- internally generated	562,271	–	562,271
As at 31/12/2019	2,055,326	–	2,055,326
Additions- internally generated	642,695	83,481	642,695
As at 31/12/2020	2,698,022	83,481	2,698,022
Accumulated amortisation and impairment			
As at 01/01/2019	855,516	–	855,516
Charge for the year	446,580	–	446,580
As at 31/12/2019	1,302,096	–	1,302,096
Charge for the year	479,670	–	479,670
As at 31/12/20120	1,781,766	–	1,781,766
Carrying amount			
As at 31/12/2020	**916,256**	**83,481**	**916,256**
As at 31/12/2019	**753,230**	**–**	**753,230**

Goodwill

On 11 March 2020 the Group acquired NEX Exchange Limited which resulted in recognition of goodwill of £83,481. The cash generating unit associated with the goodwill is determined to be the assets associated with the investment in AQSE.

The goodwill arising on consolidation represents the growth potential of the primary listings exchange and the synergies with the rest of the business. AQSE has no intangible assets.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to a cash generating unit, being the net assets related to Aquis Stock Exchange.

The recoverable amounts of the cash generating unit has been determined based on a value-in-use calculation using discounted cash flow forecasts based on business plans prepared by management for a five-year period ending 31 December 2025, using an estimated terminal growth rate of 2%.

No impairment loss has been recognised during the year, as management believes the value in use of Aquis Stock Exchange is significantly higher than the carrying value and is unlikely to be materially impaired.

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22 PROPERTY, PLANT AND EQUIPMENT

Group	Fixtures, fittings and equipment £	Computer Equipment £	Non–current Right of Use Asset £	Total £
Cost				
As at 01/01/2019	246,463	1,591,963	–	1,838,426
Additions	3,034	506,308	–	509,342
Recognition of IFRS 16 Right of Use Asset	–	–	1,444,159	1,444,159
As at 31/12/2019	249,497	2,098,270	1,444,159	3,791,927
Additions	2,328	113,024	–	115,351
As at 31/12/2020	251,825	2,211,294	1,444,159	3,907,278
Accumulated depreciation and impairment				
As at 01/01/2019	77,602	1,218,891	–	1,296,493
Charge for the year	49,970	258,475	173,166	481,611
As at 31/12/2019	127,572	1,477,366	173,166	1,778,104
Charge for the year	50,492	326,962	173,166	550,620
As at 31/12/2020	178,064	1,804,328	346,332	2,328,724
Carrying amount				
As at 31/12/2020	73,761	406,966	1,097,827	1,578,554
As at 31/12/2019	121,925	620,905	1,270,993	2,013,823

Company	Fixtures, fittings and equipment £	Computer Equipment £	Non–current Right of Use Asset £	Total £
Cost				
As at 31/12/2018	246,463	1,591,963	–	1,838,426
Additions	3,034	506,308	–	509,342
Recognition of IFRS 16 Right of Use Asset	–	–	1,444,159	1,444,159
As at 31/12/2019	249,497	2,098,270	1,444,159	3,791,927
Additions	2,328	113,024	–	115,351
As at 31/12/2020	251,825	2,211,294	1,444,159	3,907,278
Accumulated depreciation and impairment				
As at 01/01/2019	77,602	1,218,891	–	1,296,493
Charge for the year	49,970	258,475	173,166	481,611
As at 31/12/2019	127,572	1,477,366	173,166	1,778,104
Charge for the year	50,492	326,962	173,166	550,620
As at 31/12/2020	178,064	1,804,328	346,332	2,328,724
Carrying amount				
As at 31/12/2020	73,761	406,966	1,097,827	1,578,554
As at 31/12/2019	121,925	620,905	1,270,993	2,013,823

23 INVESTMENT IN SUBSIDIARIES

Company	2020 £	2019 £
Investment in subsidiaries	6,484,202	2,437,766

Details of the Company's subsidiaries at 31 December 2020 are set out in the following table. The investments are measured using the equity method in Aquis Exchange PLC's standalone accounts.

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Name of business	Carrying amount (£) 2020	Carrying amount (£) 2019
Aquis Stock Exchange Limited	UK	100	100	Recognised Investment Exchange	3,277,118	–
Aquis Exchange Europe SAS	France	100	100	European Equities Exchange	3,207,084	2,437,766

The registered office of Aquis Exchange Europe SAS is 231 rue Saint Honoré, 75001 Paris, France. The registered office of Aquis Stock Exchange Limited is 77 Cornhill, London EC3V 3QQ, UK.

During the year Aquis Exchange PLC made capital contributions to Aquis Europe of £769,318 and £400,000 to Aquis Stock Exchange.

Both investments were assessed for impairment at year end. Although both investments were loss-making in 2020, this performance was in line with expectations. Aquis Europe is expected to reach profitability in 2021 and AQSE in 2022. Therefore, in line with IAS 36 guidance, no impairment provision has been recognised in Aquis Exchange PLC's financial statements. The following table summarises the movement in the carrying amounts of the subsidiaries during the year:

	Aquis Stock Exchange Limited £	Aquis Exchange Europe SAS £
Carrying amount 2019	–	2,437,766
Investment in subsidiary	2,877,118	–
Capital injection	400,000	769,318
Carrying amount 2020	3,277,118	3,207,084

24 INVESTMENT IN TRUST

The following table shows the total amount the Company has invested in the Trust in respect of the Share Incentive Plan as at the reporting date:

Company	2020 £	2019 Restated £
Investment in Trust	486,127	318,410

25 TRADE AND OTHER RECEIVABLES

	Current		Non–current		Total	
Group	2020 £	2019 Restated £	2020 £	2019 Restated £	2020 £	2019 Restated £
Trade receivables	1,500,524	1,523,494	–	751,629	1,500,524	2,275,123
Technology licence contract assets	1,132,029	–	617,805	–	1,749,834	–
Other receivables	11,911	6,736	221,825	215,293	233,736	222,029
Prepayments	279,603	1696,438	–	–	279,603	166,208
	2,924,067	1,696,438	839,630	966,922	3,763,697	2,663,360

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Company	Current 2020 £	Current 2019 Restated £	Non-current 2020 £	Non-current 2019 Restated £	Total 2020 £	Total 2019 Restated £
Trade receivables	1,384,467	1,514,439	–	751,629	1,384,467	2,266,068
Technology licence contract assets	1,132,029	–	617,805	–	1,749,834	–
Other receivables	6,941	6,941	221,825	215,293	228,766	222,234
Intercompany receivables	177,266	–	–	–	177,266	–
Prepayments	242,665	166,208	–	–	242,665	166,208
	2,943,368	1,687,587	839,630	966,922	3,782,998	2,654,509

The following details the trade receivables that are stated net of any credit impairment provision, as set out previously in Note 13 in accordance with IFRS 9.

Trade receivables	Group 2020 £	Group 2019 Restated £	Company 2020 £	Company 2019 Restated £
Gross trade receivables	1,540,230	2,685,964	1,406,505	2,676,909
Gross contract assets	2,236,397	–	2,236,397	–
Impairment	(526,271)	(410,841)	(508,601)	(410,841)
Trade receivables net of provisions	3,250,357	2,275,123	3,134,300	2,266,068

26 CASH AND CASH EQUIVALENTS

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank	12,268,418	11,010,861	6,179,566	8,609,739

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash held by Aquis Exchange Europe SAS is predominantly held in a Sterling denominated bank account, hedging the Group against foreign exchange fluctuations in cash and cash equivalents of the subsidiary.

27 TRADE AND OTHER PAYABLES

Current	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade payables	263,398	130,396	251,136	215,031
Accruals	1,524,793	1,053,313	1,301,073	1,034,636
Deferred Revenue	431,792	–	43,127	–
Social security and other taxation	426,745	173,540	242,588	173,540
Intercompany payables	–	–	454,182	
Other payables	163,982	142,325	–	44,619
	2,810,710	**1,499,574**	**2,292,106**	**1,467,826**

28 LEASES

The impact on the Group's assets and liabilities, and the related effects on profit and loss, of the Group's leasing activities (the Group as a lessee) are detailed below.

Right of Use Assets

The right-of use asset was measured at the amount equal to the lease liability, plus prepaid lease payments (being the unamortised portion of the rent deposit asset). The right of use assets is depreciated over the term of the lease and was accounted for during the year ended 31 December 2020 as follows:

	Property £
Carrying amount at 1 January 2019	1,444,159
Depreciation for the year	(173,166)
Carrying amount at 31 December 2019	1,270,993
Depreciation for the year	(173,166)
Carrying amount at 31 December 2020	1,097,827
Of which are:	
Current	173,166
Non-current	924,661
	1,097,827

The non-current and current portions of the right of use asset are included in 'Property, Plant and Equipment' and Trade and Other Receivables on the Statement of Financial Position respectively.

Rent deposit asset

The rent deposit asset (excluding the prepaid right of use portion which has been included in the calculation of the right of use asset above) is a financial asset measured at amortised cost and was accounted for during the year ended 31 December 2020 as follows:

	Rent deposit asset £
Carrying amount at 1 January 2019	215,491
Finance income on rent deposit asset for the year	6,538
Carrying amount at 31 December 2019	222,029
Finance income on rent deposit asset for the year	6,736
Carrying amount at 31 December 2020	228,765
Of which are:	
Current	6,941
Non-current	215,293
	222,234

The non-current and current portions of the rent deposit asset are both included in Trade and Other Receivables on the Statement of Financial Position.

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For the year ended 31 December 2020

Lease liability

The lease liability is calculated as the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable (e.g. any rent-free periods). The lease payments are discounted using the interest rate implicit in the lease. The lease liability is measured at amortised cost and was accounted for during the year ended 31 December 2020 as follows:

	Lease liability £
Carrying amount at 1 January 2019	1,561,096
Finance expense on lease liability for the year	47,653
Lease payments made during the year	(230,445)
Carrying amount at 31 December 2019	1,378,304
Finance expense on lease liability for the year	41,835
Lease payments made during the year	(230,445)
Carrying amount at 31 December 2019	1,189,694
Of which are:	
Current	194,613
Non-current	995,081
	1,189,694

The non-current and current portions of the lease liability are included in 'Lease liability' and Trade and Other Payables on the Statement of Financial Position respectively.

Net finance expense on leases

	2020 £	2019 £
Finance expense on lease liability	41,835	47,653
Finance income on rent deposit asset	(6,736)	(6,538)
Net finance expense relating to leases	35,099	41,115

The finance income and finance expense arising from the Group's leasing activities as a lessee have been shown net where applicable as is permitted by IAS 32 where criteria for offsetting have been met.

Amounts recognised in profit and loss

	2020 £	2019 £
Depreciation expense on right-of-use assets	(173,166)	(173,166)
Finance expense on lease liability	(41,835)	(47,653)
Finance income on rent deposit asset	6,736	6,736
Net impact of leases on profit or loss	(208,265)	(214,083)

The property lease (of which there is only one) in which the Group is the lessee does not contain variable lease payment terms.

The total cash outflow for leases amounts to £230,445 (2019: £230,445).

29 CALLED UP SHARE CAPITAL

Group	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
27,169,696 Ordinary shares of 10p each (2019: 27,149,559)	2,714,956	2,714,956
Issue of 20,137 new shares	2,014	–
	2,716,970	2,714,956

30 SHARE PREMIUM ACCOUNT

Group	2020 £	2019 £
At the beginning of the year	10,839,981	10,839,981
Issue of 20,137 new shares	52,154	–
At the end of the year	10,892,135	10,839,981

31 OTHER RESERVES

	Group		Company	
	2020 £	2019 Restated £	2020 £	2019 Restated £
Reserves relating to share-based payments	760,543	368,366	748,525	368,367

32 TREASURY SHARES

Group	2020 £	2019 Restated £
At the beginning of the year	318,410	121,851
Purchase of additional shares	199,459	196,558
Shares sold by the trust	(40,262)	–
Cash held by Trust	12,018	9,399
At the end of the year	489,625	327,809

33 FOREIGN CURRENCY TRANSLATION RESERVE

In 2019 the Group established a Multilateral Trading Facility (MTF) in France through its subsidiary, Aquis Exchange Europe SAS. The translation of the European subsidiary' assets into Sterling, the functional currency of the Group, results in foreign exchange differences that have been recognised in Other Comprehensive Income and accumulated in a separate component of equity as illustrated below.

Group	2020 £	2019 £
At the beginning of the year	1,439	–
Foreign exchange differences on translation of foreign operations recognised in OCI	(531)	1,439
At the end of the year/period	908	1,439

Notes to the Financial Statements continued

For the year ended 31 December 2020

34 CASH GENERATED BY OPERATIONS

Group	2020 £	2019 Restated £
Profit/(Loss) for the year after tax	981,728	(656,582)
Adjustments for:		
Taxation credited	(307,616)	(265,254)
Deferred tax	(203,717)	–
Investment income	(14,632)	(41,699)
Amortisation and impairment of intangible assets	479,670	446,580
Depreciation and impairment of property, plant and equipment	550,620	481,611
Equity settled share-based payment expense	392,897	210,403
Other gains/(losses)	39,814	(156,586)
Prior year adjustments	–	(205,142)
Gains/(losses) on transition of accounting standards	–	(120,369)
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(1,100,337)	85,434
Increase/(decrease) in trade and other payables	1,311,136	607,210
Cash generated/ (absorbed) by operations	**2,129,563**	**385,606**

Company	2020 £	2019 Restated £
Profit / (Loss) for the year after tax	1,779,951	(595,602)
Adjustments for:		
Taxation credited	(307,616)	(265,254)
Deferred tax	(203,717)	–
Investment income	(14,632)	(36,303)
Amortisation and impairment of intangible assets	479,670	446,580
Depreciation and impairment of property, plant and equipment	550,620	481,611
Equity settled share-based payment expense	363,164	210,403
Other gains/losses	(114,892)	(147,566)
Prior year adjustments	–	(205,142)
Gains/ losses on transition of accounting standards		(120,369)
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(1,128,488)	94,284
Increase/(decrease) in trade and other payables	824,278	575,463
Cash generated/(absorbed) by operations	**2,228,339**	**438,105**

35 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors of the Company, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management compensation relates to the Executive Directors who have authority for planning, directing and controlling the Group.

Group	2020 £	2019 £
Salaries and other short-term benefits	761,709	602,195
Share-based payments	69,268	175,589
	830,977	777,784

Inter-company transactions with subsidiary undertakings

The Company has intercompany balances with its subsidiary undertakings. Details as at 31 December 2020 are shown in the table below:

	Amount (owed to)/due from as at:		
Counterparty	2020	2019	Term
Aquis Exchange Europe SAS	(53,720)	(84,634)	Repayable on demand
Aquis Stock Exchange Limited	(223,195)	–	Repayable on demand

At year end, a balance of £400,000 was payable to AQSE in respect of additional capital to be injected into the entity. During the year, the Company recharged operating costs to its subsidiaries on a proportionate basis.

36 CONTROLLING PARTY

In the opinion of the Directors, there is no single overall controlling party. No individual shareholder had a shareholding of 10% or above as at 31 December 2020.

37 RESTATEMENT OF COMPARATIVES

The prior year adjustments are as follows:

1) Accounting for expenses arising from the share incentive plan as share-based payments under IFRS 2 and recognition of the investment in Trust in Company accounts and consolidation of the Trust in Group accounts under IFRS 10;

2) The ECL model was updated resulting in a net decrease in the ECL provision of £42k.

The following table summarises the impact of the adjustments on the associated accounts in 2019:

Group	2019 (as per prior year financial statements) £	Adjustment £	2019 restated balance £
Treasury shares	–	(327,809)	(327,809)
Share-based payment expense	120,245	90,158	210,403
Share-based payment reserve	212,691	165,075	377,766
Employee costs	4,474,507	(373,137)	4,101,370
Other expenses	2,660,390	120,245	2,780,635
Impairment Credit (SOCI)	242,585	42,408	284,993
ECL Provision (SOFP)	453,249	(42,408)	410,841

Notes to the Financial Statements continued

For the year ended 31 December 2020

Company	2019 (as per prior year financial statements) £	Adjustment £	2019 restated balance £
Investment in Trust	–	318,410	318,410
Share-based payment expense	120,245	90,158	210,403
Share-based payment reserve	212,691	155,676	368,367
Employee costs	4,204,785	(373,137)	3,831,648
Other expenses	2,628,777	120,245	2,749,022
Impairment Credit (SOCI)	242,585	42,408	284,993
ECL Provision (SOFP)	453,249	(42,408)	410,841

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

AQSE Market Maker Warrant Scheme

From 1 January 2021 a new market maker warrant incentive scheme will commence, the purpose of which is to improve the liquidity and functioning of the AQSE Apex market. The scheme will involve issuing warrants to eligible market makers over a 3-year period, giving them the option to purchase up to 19.9% of the shares in AQSE. Market makers will become eligible for the scheme if they meet a defined set of performance criteria, and the number of warrants to be issued to each market maker will be determined by AQSE.

The warrants will be accounted for in accordance with IFRS 15, with a debit to revenue and corresponding credit to equity being recognised in each year of the scheme based on the fair value of the warrants and the expectation of the number of awards likely to vest at the end of that year. The first charge will be recognised in 2021.

Proposed Corporation Tax Increase

On 3 March 2021 the Chancellor announced that the UK corporation tax rate would increase to 25% from April 2023. This does not have a material impact on the financial position of the Group as at 31 December 2021.

The Directors can confirm that there were no other significant post-balance sheet events.

Notes

Notes continued

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