Annual Report 2019

EQUALS

EQUALS GROUP PLC ANNUAL REPORT 2019

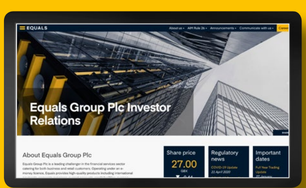
Equals Group PLC
(Previously Fairfx Group PLC)

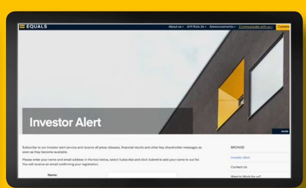
COMPANY INFORMATION

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS





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WWW.EQUALSPLC.COM

Equals Group PLC

On the 26th of June 2019 FairFX Group PLC changed its name to Equals Group PLC (“Equals” or “the Group” or “the Company”).

About Equals

Equals is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior user experience and low-cost operating model. The Group enables its personal and business customers to make easy, low-cost payments both domestically and in a broad range of currencies across a range of products all via one integrated system.

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

Our Values:

Make it happen; Add heart; Succeed together and Be brave

Financial summary and highlights

Financial Summary

In £ millions	2019	2018 (restated)	% change
Turnover	**2,887**	**2,369**	**+21.8%**
- B2B	2,088	1,187	+75.9%
- B2C	799	1,182	-32.4%
Revenue	**30.9**	**26.1**	**+18.4%**
- B2B	17.3	9.5	+82.1%
- B2C	13.6	16.6	-18.1%
Gross profits	20.6	17.5	+17.7%
Adjusted EBITDA*	9.1	7.5	+21.3%
(Loss) / profit after taxation**	(5.4)	2.6	

Highlights

- Group revenues increased by 18.4% and have doubled over a two-year period
- Organic profit growth continued, 13% overall but 20% in international payments, as the Group transitions and drives revenue generation within the higher margin B2B division and away from legacy B2C and retail FX
- Strategic shift evidenced by improvement in revenue mix; B2B represents 56% (2018: 36%)
- Gross profit increased 17.7% to £20.6 million and margin remained constant at 67%
- Two accretive acquisitions successfully integrated, Hermex in August and Casco in November
- Through warrant and option exercises and further capital issuances, raised additional capital of £15.7 million
- £1.1 million R&D credits received in the year, further £2.3 million receivable at 29 June 2020
- Group rebranded from FairFX to Equals Group to reflect diversification from legacy FX business
- Improved systems and focus on a strong regulatory backbone delivering results
  - Membership of the UK Faster Payments scheme attained
  - Gained open Real-Time Gross Settlement ('RTGS') accounts with the Bank of England
  - Granted Credit Broking licence by the Financial Conduct Authority ("FCA")
  - Negotiated a five-year extended deal with Mastercard – allows self-issuance

* *Adjusted EBITDA is defined as Earnings before: depreciation, amortisation, impairment charges, share option charges, but after R&D tax credits.*

** *The Group changed its policy for accounting for R&D tax credits from IAS 20 to IAS 12. Whilst this has no impact on the retained result, EBITDA has been adjusted to include these amounts in line with accounting at the 2019 interims.*

Directors and advisors

The Board

JOHN PEARSON
Chairman until 30 June 2020, and Non-Executive director

John has considerable experience in the digital, media and broadcast industries. He was co-founder and CEO of Virgin Radio for 13 years. He was also Chairman of Shazam Entertainment, a smartphone-based music identification service; co-founder of World Architecture News.com; and a Director of Ginger Media Group. He is also co-founder of The Food.com.

ALAN HUGHES
(Non-Executive Director appointed 1 March 2020 and Chairman from 1 July 2020)

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

IAN STRAFFORD-TAYLOR
Chief Executive Officer

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

RICHARD COOPER
Chief Finance Officer

Richard has extensive public market and growth company experience. He was the CFO of GVC Holdings plc, one of the world's largest sports betting and gaming groups, from 2008 to 2017. Whilst at GVC, Richard played a key role in the implementation of the Company's acquisition strategy during that period, together with its move from AIM to the premium segment of the London Stock Exchange's Main Market. Richard, a Chartered Accountant, is currently the Chairman and non-executive director of VR Education Holdings plc, a technology focused education company quoted on AIM.

ROBERT HEAD
Non Executive director, chairman of audit and remuneration committees

Robert Head has held a variety of management roles including Regional Director for Old Mutual's African interests, the joint founder of egg.com and the first CEO of smile.co.uk. His most recent roles were that of a Special Advisor to the Commissioner of SARS (South African Revenue Service) and prior to that CEO of Old Mutual's Wealth Management Division. Robert is a Chartered Accountant and a Fellow of the Chartered Institute of Bankers.

AJAY CHOWDHURY
Non Executive director

An experienced company director with particular expertise in digital media, digital retail, online and mobile industries. Ajay is Partner and Managing Director of BCG Digital Ventures and was previously CEO of Seatwave Limited, an online ticket sales marketing company, Executive Chairman of a multi-channel marketing Company, ComQi Group and Chairman of Shazam. He is also currently Non-Executive Director of the Department of Culture Media and Sport as well as the British Screen Advisory Council.

TONY QUIRKE
Company Secretary

Advisors

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History

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

Strategic Report

Chairman's statement

My statement this year focuses on three distinct themes: the first looks back at the Group's achievements and its performance in FY-2019; the second reports on how, post year-end, the Group has faced-up to, and successfully dealt with, the challenges posed by the Covid-19 pandemic; and the third, deals with the Group's current trading and future prospects.

The Group has two distinct customer groupings; business customers are referred to as "B2B," whereas retail customers are referred to as "B2C."

FY-2019 was a highly successful year for the Group.

- Revenues grew by 18% and successfully pivoted towards higher margin B2B customers;
- Continued investment in product and technology, completed a rebrand of the business away from the FX legacy into "Equals" being an umbrella brand for all products;
- Raised £15.7 million net of expenses for expansion; and,
- Purchased, and integrated two significant and accretive acquisitions.

The Group continued to make significant investments to increase the strength and resilience of its technical infrastructure along with product improvements. The Corporate Expenditure management product, Equals Spend, was responsive to the Group's planned focus and investment, joining the UK Faster Payments scheme and the upgrade of our risk evaluation methodology and resources resulting in further opportunities for expansion. Customer facing roles and technology were both enhanced and a clearer route to greater brand awareness across our products has been achieved.

Inevitably these upgrades take more than one accounting period to show their full benefit, but the Board is confident that the right steps were taken at the right time and looks forward to these upgrades reaching their full impact.

COVID-19 RESPONSE

2020 has seen global volatility caused by the Covid-19 pandemic. Equals has not been immune to this but the technology improvements made by the Group meant that all employees have been able to successfully work from home. Currently there are around one fifth of the staff under furlough but redundancies have been kept to a minimum. All employees including the Board and senior management agreed to a temporary 20% reduction in their remuneration over a three month period until greater visibility of the market has been possible.

The travel related products (bureau de change and retail pre-load travel cards) were, impacted almost immediately with revenues down 87% on the comparative period in 2019. To put this into context, this represented 29% of revenue in 2019 and is now only 4% of a significantly higher income base up to 26 June 2020.

The full financial consequences of Covid-19 are of course yet unknown, but profound. However, with the steps already taken by the Group together with further contingency planning, the Board believes the Group remains in a strong position to move quickly to not only respond to market movements but look for emerging opportunities.

The Group is in the fortunate position of having no bank borrowing and thus has protected its cash position. At the time of writing the Group's free cash resources stood at £7.7 million.

CURRENT TRADING AND OUTLOOK

Revenue streams in both the B2B segment and retail banking appear robust after the expected reduction in late March and April 2020. Revenue per day (excluding 'travel cash') rose to £103.4k in Q1-2020 (Q1-2019: £72k) and were £91k per day in the period 1 April to 25 June 2020 (Q2-2019: £86k). Despite the continued impact of Covid-19, in June 2020 revenues per day have averaged £113k (June 2019, excluding travel cash, £111k per day).

The Board remains optimistic about the Group's outlook. The Non-Executive Directors and I would like to thank the executive team and all our staff who have worked so diligently to position the Group so well.

Finally, following many years of growth, we are finalising the next stage of our succession plan and on 30 June 2020 at our Annual General Meeting, I will welcome Alan Hughes to the Chair. Alan's significant experience in the sector speaks for itself and I look forward to working with him and continuing to serve Equals as a Non-Executive Director.

JOHN PEARSON
Chairman

30 June 2020

Chief Executive Officer's Report

21% ↑	18% ↑	81% ↑	21% ↑
Turnover £2,887m	Revenue £30.9m	B2B revenues 17.3m	Adjusted EBITDA 9.1m

I am delighted to report that the initiatives and measures implemented in FY-2018 produced such clear financial progress in FY-2019:

- Revenues increased by 18% and grew by 100% over a two-year period;
- Revenue mix: B2B revenues rose 81%, comprising 56% of Group, up from 37% in FY-2018;
- Adjusted EBITDA* at £9.1 million up 21% despite very challenging Brexit uncertainties and challenges;
- A loss after taxation of £5.4 million after an impairment charge of £4.9 million, and separately reported items of £3.4 million, (2018: Profit £2.6 million separately reported items of £3.5 million).

**Adjusted EBITDA is defined as Earnings before: depreciation, amortisation, impairment charges, share option charges, and separately reported items, but after R&D tax credits*

The growth of the Group with a number of different brands, required consolidation both from the perspective of market positioning and for corporate restructuring. Both were achieved in the year. The costs of this have been reported as "separately reported items" in the CFO report which follows.

The robustness of improved and regulatory compliant systems, meant that the Group was able to become a member of the UK Faster Payments scheme and open Real-Time Gross Settlement ('RTGS') accounts with the Bank of England. The FCA granted a Credit Broker Licence and the Group's relationship with US bank Metropolitan Commercial Bank ('MCB') goes from strength to strength. This has continued currently with banking facilities widened to now include Citibank.

Through both acquisitions and organic growth, the Group has achieved a pivot away from its legacy retail customer base ("B2C") to a greater proportion of its revenues from business customers ("B2B"). Revenues from B2B customers rose to £17.3 million (2018: £9.5 million) representing 56% of Group revenues (2018: 37%).

Rationalisation of the supply chains continued, and continues, with direct connectivity to payment schemes and longer-term commercial arrangements being reached with MasterCard and other card providers. The importance of these initiatives is emphasised by the current situation at Wirecard, which is addressed later in this statement.

Expansion continued in FY-2019, both organically and through acquisition, and two competing businesses, Hermex and Casco, were added to the Group and are now fully integrated. Casco, now branded Equals Connect, brings a white-label product enabling other FX and payment companies to scale their businesses by utilising its technology, banking, liquidity and compliance capabilities. Both businesses have significantly added to the B2B client base and contributed over £233.0 million of underlying transaction values in 2019.

The acquisitions were in accordance with three of the Group's stated strategies:

i. to consolidate smaller, attractive market participants;

ii. expand its product range; and,

iii. leverage its investment into deeper payments connectivity.

In June 2019, the Group announced the rebranding of the Group to Equals to reflect the evolution of the product offering and strategic direction. Following the name change, the Group has moved towards a brand architecture on the B2B side with a suite of product brands underneath the Equals brand with a consistent identity. The Group has moved beyond its legacy, retail-focused foreign exchange business into integrated money management solutions for consumers and businesses. The unification of the brand simplifies the marketing messaging, optimising customer acquisition, retention and engagement whilst facilitating improved cross-selling between the portfolio of products.

The key segments of the Group and brands are as follows:

International Payments	**Equals Pay**
White Label Payments	**Equals Connect**
Banking	**Equals Money**
Corporate expense control platform	**Equals Spend**
Travel cards and travel money	**Equals Go**

The Group accelerated investment in FY-2019 to improve products, infrastructure and security. A total of £8.3 million was invested in the year (FY-2018: £5.2 million) yielding new platforms for Equals Pay, Go and Spend and enhanced products for Equals Money. Whilst the Group will continue to invest, the substantial re-platforming work is now complete and hence investment costs will reduce in 2020 and 2021.

To enable this investment and provide seed capital for future acquisitions, the Group raised £15.7 million net of expenses during the year. This placed the Group in a strong financial position, which is so crucial as the Group continues to navigate the ongoing impact of the Covid-19 pandemic.

The Group started FY-2019 with a headcount of 206 and ended it with a headcount of 341, although this has since reduced to 322. Greater integration and rationalisation across the two main office sites (Chester and London) continues and further headcount reductions are expected from increased efficiencies.

The Group now has a deep pool of active customers across all of its business segments and its customer-facing objectives are to deliver exceptional service and grow the customer base, and it is well positioned to do so.

As reported on 17 March 2020, the current financial year started strongly and revenues were 33% higher than the comparable period in FY-2019. Understandably, Covid-19 has had a negative impact on many customers served by the Group and competitors to it, and Equals has not been immune to this. The Directors took immediate steps to conserve cash, elevate its risk controls, and to temporarily shut our City-based bureaux de change and furlough around one fifth of the workforce.

The employees have been astonishing in this time; enhanced technology investments paid off with all staff being able to work remotely at very short notice, and alongside the Board, staff voluntarily agreed to a temporary 20% reduction in salary, with the unifying aim of protecting the business and their own jobs going forward.

FINANCIAL REPORTING AND THE CONTROL ENVIRONMENT

Under the leadership of Richard Cooper who was appointed as Group CFO in October, the Group has made a step-change in its financial reporting and control environment with a reorganised finance function driving significant improvements to performance data, and robust internal reporting.

PRODUCT DEVELOPMENT

The Group embarked on an ambitious programme to develop and upgrade a host of its technology across all business lines. This programme was undertaken, and resourced accordingly, to make a significant upgrade in product capabilities. The most significant projects worked on in FY-2019 were:

Infrastructure

- A complete refresh of the Group's internal IT and Security infrastructure was completed resulting in robust business continuity once the Covid-19 crisis occurred;
- Integration of the Group's reconciliation and international payments processing Engine MTS into the backend of all the Group's international payment and card products increased speed and reduced risk;
- A real-time cloud-based transaction monitoring platform was developed for Group use across all its products, this is especially important in the Faster Payments integration and the future integration to Citi bank.

Banking

- A step-change in domestic payment settlement was achieved by entering the Faster Payment and Bank of England RTGS schemes directly with the use of a proprietary built 'state-of-the-art' faster payment gateway;
- A bulk payments feature was designed and built to support corporates and payroll companies to process large number of payments at speed;
- The user experience was refreshed across the CardOneMoney Apps;
- A new cards-based loans product sitting alongside the banking products in conjunction with iwoca was designed and built;
- The integration of the Group's international payments functionality directly to existing customers of the CardOneMoney suite of products was completed.

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Corporate Card Platform

- Re-branding of the Corporate Card Platform to Equals Spend with improved user experience and the inclusion of new functionality such as a world class Rewards system;
- New, cloud based, scalable, card-enabled, money-management platform designed and built and launched in the USA.

Retail cards

- A Web and Mobile App Single Multi Currency travel card with freshly designed and build apps was built and delivered.

International Payments

- An entirely new cloud based international dealing platform allowing end users to self-serve currency exchange was designed, built and delivered
- a multi-currency / multi-card banking product linking the power of FairFX products with CardOneMoney was delivered.

Looking to the future, the talented engineering team have already made great progress in 2020 in upgrading the FX dealing platform, and a direct API for customer access.

CURRENT TRADING AND OUTLOOK

In the year up to 26 June 2020, revenues per day averaged £108k (2019: £111k per day). Given the impacts of Covid-19, especially on travel-related products, this is an exceptional performance and reflects the underlying strength of the Group, its people, and its products. Concurrently, during the pandemic the Group has managed its cost base dynamically yielding a reduction of around £250k per month, and payment terms have been renegotiated with some key suppliers and landlords. We have participated in the UK Government's furlough scheme along with deferring PAYE settlements thus, at the date of this report the Group has £7.7 million of free cash resources, PAYE deferments of £1.5 million, but a R&D receivable of £2.3 million.

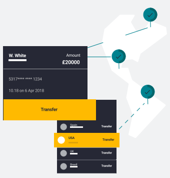
On 26 June 2020, a supplier to the Group, Wirecard Card Services ('WDCS') had its licences suspended by the FCA. WDCS is one of three options the Group has for issuance of prepaid cards. This suspension does not affect the Group's B2B activities and disruption is mainly limited to B2C travel cards. The financial impact to the Group is limited in terms of currently anticipated results for 2020 and the Group has contingency plans in place should the situation at WDCS persist.

Revenues have increased since their Covid-19 related lows in April and I believe that the Group is now well-positioned for future growth and to take advantage of economic opportunities that may arise from the current unprecedented situation.

IAN STRAFFORD-TAYLOR
Chief Executive Officer

30 June 2020

Products



EQUALS CONNECT WITH EQUALS PAY

International payments, expertly done

Get market-leading rates and same-day payments, with a dedicated account manager at your side.

EQUALS SPEND

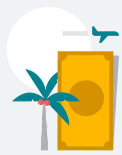
Easy, breezy expenses

Take control of your business spending so your team can focus on getting things done.

EQUALS GO

Get more from your holiday money

With fair exchange rates, no hidden fees, and support whenever you need it, the only question is where will your next adventure take you?



EQUALS CASH

Get ready to cash in

We're building the future of the travel cash queue (hint: you're getting your lunch hour back). For now, head over to FairFX for great rates and free delivery.

Chief Financial Officer's Report

To aid readers of these financial statements, the Group has chosen to present the primary statements in an alternative format and explain the major movements to the prior year along with issues of accounting impact and judgement. Each principal line in the P&L is explained. The report is in three sections:

A – Income and Expenditure Account
B – Balance Sheet
C – Cash Flow

The Group made two material acquisitions during the year, Hermex and Casco. Both of these brought a broader base of revenue and experienced revenue generating staff to the Equals team, and without property commitments, which therefore added synergistically to the Group.

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

Totals may not sum due to rounding. Percentages are calculating on underlying figures before rounding. A detailed review of the accounting policies and recognitions have led to some minor re-profiling between the first and second halves of the year. Where costs cannot be accurately attributed to each segment, they have been allocated on the basis of revenue.

A: INCOME AND EXPENDITURE ACCOUNT AND ITS NOTES

Table 1

In £millions	Note ref	2019	2018
Underlying transaction values – FX	A1	2,117.5	1,783.7
Underlying transaction values – Banking		769.4	585.5
		2,886.9	**2,369.2**
In £000's			
Revenue	A2	30,945	26,092
Less: Variable costs	A3	(10,378)	(8,551)
Gross profits	A4	20,567	17,541
Less: Marketing*	A5	(2,037)	(2,768)
Contribution		**18,530**	**14,773**
Gross expenditure	A6	(21,261)	(12,823)
Capitalised		8,307	5,251
Net expenditure		(12,954)	(7,572)
R&D credits		3,479	311
Adjusted EBITDA*		**9,055**	**7,512**

**Adjusted EBITDA is defined as earnings before: depreciation, amortisation, impairment charges, share option charges, and separately reported items, but after R&D tax credits*

Underlying the results for the year were the following additional expenditures:

- Internally generated software (note B3) £8.3 million
- Rebranding costs treated as an exceptional item (note A5) £2.1 million
- Separately reported items excluding marketing (note A7) £1.4 million

TABLES 1A AND 1B BELOW SHOW THE RECONCILIATION FROM ADJUSTED EBITDA TO OPERATING LOSS AFTER TAXATION:

Table 1a - Reconciliation of adjusted EBITDA to (loss)/ profit after taxation, 2019

£000's	Notes	Operating loss	Finance charges	Taxation	Loss after taxation 2019
Adjusted EBITDA		9,055	-	-	9,055
Separately reported items	A7	(3,423)	-	-	(3,423)
Other items:					
IFRS 16 depreciation		(918)	-	-	(918)
IFRS 16 finance charges		-	(234)	-	(234)
Other Depreciation	A8	(430)	-	-	(430)
Amortisation	A9	(2,831)	-	-	(2,831)
Impairment	A12	(4,859)	-	-	(4,859)
Share option charges		(123)	-	-	(123)
FX and similar	A11	(239)	-	-	(239)
Acquisition costs		(478)	-	-	(478)
Deferred taxation		-	-	(928)	(928)
Other tax credits		-	-	36	36
R&D tax credits	A13	(3,479)	-	3,479	-
		(7,725)	**(234)**	**2,587**	**(5,372)**

Table 1b - Reconciliation of adjusted EBITDA to profit after taxation, 2018

£000's	Notes	Operating profit	Finance charges	Taxation	Profit after taxation, 2018
Adjusted EBITDA		7,512	-	-	7,512
Separately reported items		(3,543)	-	-	(3,543)
Other items:					
Depreciation	A8	(200)	-	-	(200)
Amortisation	A9	(1,318)	-	-	(1,318)
Impairment		-	-	-	-
Share option charges		(54)	-	-	(54)
FX and similar	A11	(20)	-	-	(20)
Acquisition costs		(297)	-	-	(297)
Deferred taxation		-	-	955	955
Other tax credits		-	-	(417)	(417)
R&D tax credits		(312)	-	312	-
		1,768	**-**	**850**	**2,618**

NOTE A1 – UNDERLYING TRANSACTION VALUES

Underlying transaction values, a non-IFRS measure, increased by 21.8% to £2,887 million (2018: £2,369 million). Acquisitions made in the year contributed 8% to the underlying transaction values, being £233 million.

Underlying transaction values by business line is defined below:

International payments:	funds sold by customers to acquire currency
Cards:	funds loaded by customers onto their cards
Cash:	funds sold by customers to acquire another currency
Banking:	funds deposited by customers

The split of Underlying transaction values by segment is as below:

Table 2

£millions	International Payments	Cards	Cash	Total FX	Banking	TOTAL
B2B						
2019	1,214	271	-	1,485	604	2,088
2018	766	173	8	947	240	1,187
% Change on year	58%	57%	-	57%	152%	76%
B2C						
2019	348	161	124	633	166*	799
2018	482	219	135	836	346*	1,182
% Change on year	-28%	-26%	-9%	-24%	-52%	-32%
TOTALS						
2019	1,562	432	124	2,117	770	2,887
2018	1,248	392	143	1,783	586	2,369
% Change on year	25%	10%	-13%	19%	31%	22%

Overall, underlying transaction values increased by 22% with B2B up 76% and B2C down 32%. B2B comprised 72% of the transaction values, up from 50% in 2018. The Group was putting more emphasis on B2B before Covid-19 and this strategy has served it well in 2020. As the retail market was part of the business most exposed to financial risks posed by Brexit, it is useful to combine the retail card transaction values with travel money transaction values as an aide-memoire. The total combined transaction volumes decreased by 19% over 2018.

International Payments – Underlying transaction values increased 25% from £1,248 million to £1,562 million and included £233 million of Underlying transaction values from acquisitions made in the year. The organic focus was to de-emphasise lower margin retail customers, thus, B2C Underlying transaction values decreased by 28% but organic B2B Underlying transaction values increased by 26% to £967 million (2018: £766 million).

Card Underlying transaction values increased by 10% to £432 million, with B2B growing by 56% and B2C decreasing by 26%. This can be attributable to lower travel demands given the Brexit uncertainties.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

The total number of card loads were as follows:

Table 3

Card load data	2019	2018	% change
Total number of card loads in 000's			
- B2B	545	403	35%
- B2C	409	487	-16%
- Combined	954	890	7%
Average load size (in £)			
- B2B	£497	£429	16%
- B2C	£394	£449	-12%
- Overall	£453	£440	+3%

Travel Cash – Underlying transaction values decreased for three principal reasons:

- Equals exited partnerships that were marginal / loss making
- The ongoing uncertainty regarding Brexit continued to have negative impact on travel
- Footfall in one of the London bureaux was adversely impacted by major roadworks in Q1-2019 preventing reasonable access.

Banking – Underlying transaction values increased by 31% to £770 million (2018: £586 million) with B2B showing growth of 152% whilst B2C was down by 52%. B2B comprised 78% of banking Underlying transaction values (2018: 41%). The increase in underlying transaction values was largely attributable to the growth in activity in high-volume merchant cash advances which attracts a 'per-pence' charge.

NOTE A2 – REVENUE

Overall, revenue grew by 19% to £30.9 million in 2019 (2018: £26.1 million). Of this £4.9 million increase, £1.6 million was attributable to the accretive acquisitions made in 2019 (Hermex in August; Casco in November). The total generated from the Group's focus on B2B grew by 81% to £17.3 million (2018: £9.5 million).

Table 4 – Revenue

B2B £000's	International Payments	Cards	Cash	Total FX	Banking & Treasury	TOTAL
2019	9,000	5,584	-	14,584	2,712	17,295
2018	3,905	3,217	118	7,241	2,306	9,546
% Change on year	130%	74%	-	101%	18%	81%
B2C £000's						
2019	2,928	5,710	2,389	11,028	2,622	13,649
2018	4,484	6,780	1,959	13,223	3,323	16,546
% change on year	-35%	-16%	22%	-17%	-21%	-18%
TOTALS £000's						
2019	11,929	11,294	2,389	25,612	5,333	30,945
2018	8,390	9,997	2,077	20,464	5,629	26,092
% change on year	42%	13%	15%	25%	-5%	19%

International Payments (now rebranded 'Equals Pay')

Organic revenues grew 23% from £8.4 million to £10.3 million, augmented by a further £1.6 million of additional revenue derived from acquisitions made in the year, thus total reported revenue rose by 42%.

The acquisitions cemented the strategy to pivot away from B2C business and thus B2B as a proportion of the total rose from 47% to 75% of the International Payments book.

During 2019, spot trading represented 72% of Underlying transaction values and 64% of revenue in International Payments, whilst forward trading represented 28% of Underlying transaction values and 36% of revenue.

Excluding the white label business acquired through Casco, the International Payments business averaged 1,000 deals a week from 6,524 customers, generating around 75 basis points per transaction. This was an average deal just shy of £30k.

Cards

Despite a very challenging economic background, overall the revenue from the card business rose 13% from £10.0 million to £11.3 million. The card business has many income components, the amounts for each are not disclosed for competitive reasons, but comprise:

- load fees
- out of currency fees
- interchange
- ATM fees
- card interest and in certain cases,
- management fees.

In addition to these components, but, included in the £11.3 million (2018: £10.0 million), there are financial arrangements with card issuers and card schemes which generate other income streams. During 2019, these additional revenue streams amounted to £0.6 million (2018: £nil) on a one-off basis and £0.9 million (2018: £1.0 million) on a recurring basis (dependent on underlying trading volumes).

B2B components (mainly 'Equals Spend', the Corporate expense management product), rose by 74% to £5.6 million and now comprises 49% of the book, up from 32% in 2018.

The retail card product declined in the year by 16% to £5.7 million and the business was clearly impacted by Brexit related uncertainty and reduced leisure travel.

Over 120,000 B2C customers loaded an average of £1,300 with an average load margin of 1.76%, whilst 52,000 B2B customers loaded an average of £5,000 with a 0.39% margin.

Travel cash

Despite a fall in Underlying transaction values in the cash business, revenues rose by 15% to £2.4 million through three main initiatives:

- Margins in-store were increased
- The online pricing strategy changed, from being "top" of the comparison websites to "competitive," resulting in lower volumes but higher gross margins
- The promotion of partnerships (on revenue share agreement) to increase margins to become more profitable.

Combining retail card transactional revenue* with cash as 'travel money' then the total combined revenue fell 7% to £8.1 million (2018: £8.7 million).

**excluding rebate allocations*

Banking (now rebranded 'Equals Money'), and Treasury

Revenues decreased in the year by 5% as the business pivoted away from sub-prime retail to focus on corporates. Indeed, B2B revenue rose by 18% and now exceeds revenue from retail customers.

An average of 4,500 B2B customers generated a combined average revenue per day of £10k, whilst the lower margin B2C segment had around 10,000 customers generating a similar daily revenue.

Included in this segment is interest earned on house funds. Given the low interest rates and certain regulatory restrictions governing the deposits on which the Group can earn interest, the Group earned a total of £150k in interest during the year (2018: £145k). At 31 December 2019 the Group had fiduciary responsibility for a total of £52.4 million in bank accounts not included in the Group's consolidated balance sheet (31 December 2018: £48.0 million). Interest income has been included in the segmental revenue where earned.

Note A3 – Variable costs

Variable costs include those of a transaction nature across all business lines along with direct marketing costs or revenue shares (CPA and affiliate commissions), and broker remuneration paid by way of revenue related commissions plus associated employer national insurance. In addition, the card business suffers chargebacks and compensation payments arising from disputes, which, for customer satisfaction, the Group might choose to shoulder itself.

The principal components of the variable costs are shown below:

Table 5

2019 **£000's**	International Payments	Cards	Cash	Banking	TOTAL
Transaction costs*, issuance costs and bank charges	811	3,961	1,036	1,388	7,196
Direct marketing, affiliate commissions	1,053	318	-	17	1,388
Sales commissions	1,674	113	7	-	1,794
	3,538	4,392	1,043	1,405	10,378

2018 **£000's**	International Payments	Cards	Cash	Banking	TOTAL
Transaction costs*, issuance costs and bank charges	747	3,495	857	1,336	6,435
Direct marketing, affiliate commissions	333	484	-	28	845
Sales commissions	1,200	71	-	-	1,271
	2,280	4,050	857	1,364	8,551

**including chargebacks and compensation payments.*

NOTE A4 – Gross profit and margin

Gross profits as measured by the Group are revenues, less variable costs.

Table 6

£000's	International Payments	Cards	Cash	Banking	TOTAL
2019					
Gross profit	8,391	6,902	1,346	3,928	20,567
GP margin %	70%	61%	56%	74%	66%
2018					
Gross profit	6,110	5,947	1,220	4,265	17,541
GP margin %	73%	60%	59%	76%	67%

Margins by vertical remained broadly the same across both years, although the acquisition of Casco in November 2019 brought higher international payment revenues at a lower aggregate margin owing to its relationships with affiliates, particularly the white-label business now rebranded 'Equals Connect'. Gross profits on the card business was positively impacted by some of the non-transactional revenue streams earned in the year.

NOTE A5 – Marketing and rebranding

Other than cost per acquisition expenditure ("CPA") and affiliate marketing spend which has been shown within variable costs, the Group has both rebranded (as Equals) in the year and continued its other marketing initiatives. The total cost of this expenditure, including that part which has been categorised as an exceptional item below Clean EBITDA is shown below:

Table 7

£000's	2019	2018
Marketing	2,037	2,768
Rebranding	2,053	308
Total	4,090	3,076
Less: treated as Exceptional item	(2,053)	(308)
Net marketing cost	2,037	2,768

The split of marketing by business unit* was as follows:

Cards and travel cash	1,389	1,791
Banking	572	946
Corporate and central	76	31
	2,037	2,768

**the International Payments business relies on affiliate commissions which are included in variable costs.*

As was well trailed during 2019, the Group embarked on a major project to re-brand the businesses into one umbrella brand 'EQUALS'. Thus, resources were deployed and invested in this as opposed to traditional marketing. The cost of this investment project has been taken to Exceptional items. The project commenced in Q4-2018.

NOTE A6 – Expenditure analysis (other than marketing)

The principal components of expenditure as appearing in the accounts were as follows:

Table 8

£000's **2019**	Gross	Less Separately reported items	Less IFRS 16 transition	Sub-total	Less Expenditure Capitalised	Net
Staff costs	18,497	(895)	-	17,602	(7,801)	9,801
Property, insurance & office expenses	2,372	(151)	(1,152)	1,069	(204)	865
Professional fees	1,283	(324)	-	959	-	959
IT & telephone	1,180	-	-	1,180	(302)	878
Travel and similar	451	-	-	451	-	451
TOTALS	**23,783**	**(1,370)**	**(1,152)**	**21,261**	**(8,307)**	**12,954**

2018	Gross	Less Separately reported items	Sub-total	Less Expenditure Capitalised	Net
Staff costs	13,151	(2,856)	10,295	(5,251)	5,044
Property, insurance & office expenses	1,230	(76)	1,154	-	1,154
Professional fees	709	(217)	492	-	492
IT & telephone	667	(37)	630	-	630
Travel and similar	301	(49)	252	-	252
TOTALS	**16,058**	**(3,235)**	**12,823**	**(5,251)**	**7,572**

Staff costs comprise the largest gross expenditure with around 2/3rd based in the London properties and 1/3rd in Chester, although the Group is consciously moving more transactional related work to Chester.

Gross staff costs which include employees, contractors, recruiting and training costs increased to £18.5 million with £7.8 million capitalised and £0.9 million shown as a separately reported item (see note A7) (2018: £13.2 million with £5.2 million capitalised and £2.9 million taken as shown as a separately reported item). The increase in costs principally reflects:

- well-publicised initiatives to invest in new product, new technical capabilities and similar
- further £1.3 million people on-boarded from the acquisitions made in the year
- £895k treated as an exceptional item included
- £530k invested in the rebranding project
- £337k incurred on Group restructuring and the reduction of the number of companies in the Group

£7,801k of these staff costs have been capitalised (2018: £5,251k), being related to investment in internally capitalised software projects, the most significant of which were:

	Cost in £'000s	Product line
Retail card web and mobile applications	1,172	Equals Go (retail card)
Serve-self payments application	863	Equals Pay (international payments)
Web and mobile platform for corporate expenses	724	Equals Spend (corporate expense platform)
Technical infrastructure	643	All products
Reconciliation and accounting	597	Equals Pay (international payments)

The Group started 2019 with a total headcount of 206 (155 of staff on its payroll and a further 51 contractors); the Group ended the year with 341 (328 employees and 13 contractors) of which 29 staff joined from the businesses acquired during the year. At 29 June 2020, the number of employees on the June 2020 payroll was 315 of which 65 were furloughed. There were a further 7 contractors.

At 31 December 2019 the Group comprised:

- five male Board members
- senior managers of which nine were male and two were female
- employees of which were 222 were male and 82 were female

Property costs increased during the year to a gross expense of £2,372k (2018: £1,230k) reflecting the investment in new London office leases in Vintners Place. The impact of IFRS 16 is a credit of £1,152k, and expected to be £1.2 million in 2020.

Professional fees, totalled £1,283k (2018: £709k) before exceptional items of £324k (2018: £217k) and includes the costs of being on AIM in the public markets along with audit, legal etc. Taken to exceptional items were:

- £92k to anti client poaching litigation (successfully resolved);
- £136k incurred on group restructuring costs; and,
- £95k on the rebranding project.

IT & telephone costs rose to £1,180k (2018: £667k) before exceptional items of £302k, (2018: £nil) reflecting the expansion of the trading volumes and the preparation for Faster Payments which went live in February 2019.

Travel costs – these were higher than in 2018 and reflected the initiatives to prepare for the USA product launch, on our corporate expense platform.

R&D credits –Of the £3,479k R&D credit, £2,330k remains receivable.

Change in accounting policy

During the year, the Group changed its accounting policy for research and development tax credits (R&D tax credit) which had previously been accounted for under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Group believes that accounting for the R&D tax credit is more appropriate under IAS 12 *Income Taxes* which better reflects the substance and benefit of the credit. Under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the R&D tax credit, was deducted from administration expenses on a systemic basis. Under IAS 12 *Income Taxes* the R&D tax credit is included within tax credit / expense in the year that the claim relates to.

A change in accounting policy requires a retrospective adjustment and consequently the comparatives amounts have been restated. In 2018 an adjustment of £311k has been deducted from administrative costs and a corresponding amount included within tax credit. There is no adjustment to earnings per share or retained earnings. In 2019, £3.4 million has been recognised as tax income. No periods prior to 2018 have been affected by the change in accounting policy.

NOTE A7 – Separately reported items

As the Group repositions itself from a B2C travel money operator in cash and card form to a B2B focused payments group across card, FX and banking, and as it increases its governance and corporate reporting and control functions, it has been inevitable that material 'change' costs have been incurred. A consolidated statement of these is as below showing the source and destination of costs across 2019 and 2018:

Table 9

£000's 2019	Rebranding	Reorganisations	Product development	Litigation & other	Total
People	530	337	-	28	895
Property	-	106	-	-	106
Professional fees	96	136	-	92	324
IT & telephone	-	-	-	-	-
Other costs	46	-	-	-	45
	671	**579**	**-**	**120**	**1,370**
Marketing	2,053	-	-	-	2,053
Total, separately reported items	**2,724**	**579**	**-**	**120**	**3,423**
2018					
People	282	1,169	1,405	-	2,856
Property	-	76	-	-	76
Professional fees	-	217	-	-	217
IT & telephone	-	37	-	-	37
Other costs	-	49	-	-	49
	282	**1,548**	**1,405**	**-**	**3,235**
Marketing	308	-	-	-	308
Total, separately reported items	**590**	**1,548**	**1,405**	**-**	**3,543**

NOTE A8 – Depreciation of tangible fixed assets

Further investment in the technical hardware and infrastructure of the Group amounting to £1.5 million (2018: £1.0 million, including £300k acquired in business combinations) during the year led to an increase in depreciation to £430k (2018: £200k). Assets are depreciated over their expected useful lives:

Leasehold improvements	10 years
Fixtures and Fittings	3-5 years
Plant and Machinery	3-5 years

NOTE A9 – Amortisation of intangible assets

The further capitalisation of expenditure, mainly staff costs, relating to product development and similar, was £8.3 million during the year (2018: £5.3 million). This has led to amortisation increasing to £2.8 million (2018: £1.3 million).

Intangibles assets are amortised over their expected useful lives between 3 – 10 years.

NOTE A10 – Transition to IFRS 16

IFRS 16, *Leases* adopted from 1 January 2019, replaces operating and finance leases with a single lessee accounting model. As a result, the Group has brought operating lease assets and liabilities onto the Balance Sheet, resulting in a depreciation charge of £0.9 million and a finance charge of £0.2 million being recorded in 2019. The 2018 comparatives have not been restated.

NOTE A11 – Foreign Exchanges losses and central interest expense

The Group does not carry material foreign exchange risks, however under IFRS9 the Group is required to fair-value foreign exchange forward contracts entered into with customers but back-to-back with liquidity providers. The total of FX losses reported were £230k (2018: £20k), which includes the fair-value adjustment.

Interest expense of £10k arises from a negative interest charge on Euro deposits which are kept to a minimum.

NOTE A12 – Impairment of cash generating units

CardOneBanking was acquired in 2017 for a total of £17.1 million and has undergone an impairment review in line with IAS 36.

For the updated 2019 forecast outlook, management took a more conservative view on the future revenue growth rates for the Banking CGU : 5% YoY (2018: 15% YoY), which resulted in the value in use calculation (the discounted future cashflows) for the Banking CGU being lower than carrying value, resulting in an impairment of £4.9 million.

The more conservative forecast, was a result of the strategic decision in early 2019 to pivot away from the sub prime retail book (revenue down 21% in 2019 on prior year) to the corporate book (revenue up 18% in 2019 on prior year) and the subsequent impact on the short term revenue growth overall. Investments in the corporate offering to date (lending, direct faster payments, improved UX) and in the pipeline were not given as significant weight on the growth rate as in the previous forecasts as a more conservative view was taken. For example, B2B faster payment opportunities were not factored in.

NOTE A13 – Taxation

The Group recorded a tax expense of £1.1 million for the year (2018 tax credit: £0.5 million). This tax charge arises from accounting for deferred tax. At 31 December 2019 the Group retained £10.9 million of tax losses which are capable of being utilised going forward in future years. The Group does not anticipate paying corporation tax for at least 24 months.

The Group makes claims for R&D tax credits. Given the materiality of the qualifying expenditure, the Group has changed its accounting policy for recognising this credit from:

- IAS20 *Accounting for Government Grants and Disclosure of Government Assistance, to*
- IAS12 *Income Taxes*

A change in accounting policy requires a retrospective adjustment and consequently the comparative amounts have been restated. In 2018 an adjustment of £311k has been deducted from administrative costs and a corresponding amount included within tax credit. There is no adjustment to earnings per share or retained earnings. In 2019, the £3.4 million has been recognised as tax credit income. No periods prior to 2018 have been affected by the change in accounting policy.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

B. BALANCE SHEET AND ITS NOTES

The Balance Sheet as presented below is presented in an alternative format than the Consolidated Statement of Financial Position in the financial statements.

Table 10

		31 December 2019		31 December 2018	
In £000's	Notes	On Balance sheet	Off balance sheet (memo only)	On Balance sheet	Off Balance sheet (memo only)
Non-current assets*					
Net book value b.fwd		**28,050**		**17,787**	
Additions – tangible fixed assets		1,452		671	
Additions – internally capitalised software		8,307		5,251	
Additions – other purchases of intangibles		806		508	
Additions – through business combinations		4,801		5,352	
Depreciation in the year		(430)		(200)	
Amortisation in the year		(2,831)		(1,319)	
Impairments in the year		(4,859)		-	
Net book value c.fwd		**35,296**		**28,050**	
Cash resources					
Cash at bank and in hand – free funds		10,913	-	7,509	-
Cash at bank and in hand – regulatory deposits		352	52,441	351	48,026
		11,265	52,441	7,860	48,026
Regulatory deposits with liquidity providers		3,717	-	1,457	-
Sub-total, working liquid funds	**B5, Table 13**	**14,982**	**52,441**	**9,317**	**48,026**
Other current assets and liabilities*					
Card stock and other inventories	B6	264	-	287	-
Trade and other debtors	B7	3,374	-	1,961	-
Accrued income	B8	1,723	-	1,332	-
Net derivative financial assets	B9	372	-	603	-
Accrued R&D credit	B10	2,535	-	1,261	-
Trade payables, other payables and accruals	B11	(5,665)	-	(5,543)	-
Retention and deferred consideration on acquisitions	C3	(1,211)	-	-	
Customer balances		(1,071)	(52,441)	-	(48,026)
		321	(52,441)	(99)	(48,026)
IFRS 16 Leases net balance		(294)	-	-	-
Net deferred tax (liability)/asset*		(788)	-	995	-
Shareholder funds		**49,517**	**-**	**38,266**	**-**

* *all components of deferred taxation are shown here as 'net deferred tax (liability)/asset'*

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

A bridge from 31 December 2018 to 31 December 2019 can be explained as follows:

Table 11

£000's	2019	2018
Shareholder funds at 1 January	38,266	35,045
Add: Capital raised during the year for cash	15,430	-
Add: Shares issued in pursuance of acquisitions	1,318	-
Add: Shares issued against deferred consideration	130	-
Less: Result for the year (table 1a/1b)	(5,372)	2,618
Non-cash, share based payments through reserves	(403)	603
Non-controlling interest	118	-
Other movements in reserves	30	-
Shareholder funds at 31 December	49,517	38,266

The funds attributable to customers are shown as memorandum item. Consistent with 2018, these funds, held on behalf of customers of both CardOneBanking and International Payments have been excluded from the balance sheet following legal advice received in connection with the risks and rewards to the Group. Nevertheless, these funds remain within the fiduciary obligations of the Directors and are included in the table above as an 'aide-memoire'. It is notable that these balances grew by 9.2% to £52.4 million up from £48.0 million at 31 December 2018. This reflects the growth of the underlying use of the Group's platforms.

NOTE B1 – Tangible fixed assets

The Group incurred costs of £1.03 million as it upgraded both the London and Chester sites. The London office was refurbished and upgraded in the year resulting in £838k being invested and in November, the Chester office was relocated resulting in £195k of expenditure. A further £449k was spent on IT and office equipment.

NOTE B2 – Intangibles acquired through acquisitions

Hermex was acquired for £2.0 million of which £1.18 million has been recognised as goodwill. Casco was acquired for £2.2 million with £1.7 million paid at acquisition. Goodwill of £1.2 million has been recognised.

NOTE B3 – Internally capitalised software

The Group continued its high levels of investment at substantially lower cost than would have been incurred if it had outsourced the development. In Banking, the Group gained 'Faster Payments' access in February, and the costs incurred on this project were £132k (2018: £279k).

Other notable developments included:

	Cost in £'000s	Product line
Retail card web and mobile applications	1,172	Equals Go (retail card)
Serve-self payments application	863	Equals Pay (international payments)
Web and mobile platform for corporate expenses	724	Equals Spend (corporate expense platform)
Technical infrastructure	643	All products
Reconciliation and accounting	597	Equals Pay (international payments)

NOTE B4 – Externally purchased other intangible assets

£0.8 million was incurred on externally acquired assets in the year (2018: £0.5 million) of which £0.3 million related to trademarks and £0.5 million in relation to software development. Principal suppliers include Comparison Works; UTSP; Vocalink and Access System.

NOTE B5 – Liquid funds

Daily volatility of funds from customers and liquidity providers makes it more meaningful to aggregate these balances with house funds and regulatory deposits for the purpose of explanation here. The combined total at 31 December 2019 was £15 million or 8.4 pence per share (2018: £9.3 million, 6.0 pence per share). Greater detail on the cash flows are included in section C to this report.

NOTE B6 – Card stock

Card Stock refers to the cost of production of a prepaid debit card, the costs principally being card plastic and the chips contained within the card plastic. Card stock is ordered in bulk quantities and the unit cost of a card is charged to the income statement when a card is issued to a customer on successful registration. The card stock is kept securely at the card manufacturer.

NOTE B7 – Trade and other debtors

Debtors principally relate to amounts owed by card and cash product financial service providers such as banks and other financial institutions (£1.5 million; 2018: £1.7 million) and supplier prepayments (£1.4 million; 2018: £1.6 million). Trade debtors from the travel cash business corporate customers were £0.9 million.

NOTE B8 – Accrued income

Accrued income was £1.7 million (2018: £1.3 million) and arises principally from card schemes.

NOTE B9 – Derivative financial assets and liabilities

These principally comprise the embedded profit value of forward trades. At the balance sheet date there were 1,021 of forward contracts with an aggregate gross value of £102 million and a net value of £0.4 million (2018: £41.5 million gross, (£0.06 million net)).

Of the forward contracts, 45% by value were GBP/USD and 47% by value were GBP/EUR.

NOTE B10 – Accrued R&D credits

The Group makes elections to HMRC to recover the portion of expenditure entitled to be reclaimed. As a rule of thumb, qualifying R&D expenditure is multiplied by 230% to create a taxable expense and then that expense is surrendered, subject to available tax losses in the year, at 14.5% to HMRC to create a receivable R&D tax credit. The cash impact of this is normally received within 12 months of the year end following submission of the tax returns. Of the 2018 claim of £1.3 million, £1.1 million was received in 2019 with a further £0.2 million received in January 2020.

NOTE B11 – Trade creditors and accruals

Trade creditors include costs relating to properties, office equipment, software subscriptions, marketing, professional fees, affiliate commissions and contractors. Other payables include PAYE of £553k (2018: £429k), staff commissions of £255k (2018: £120k) and affiliate commissions of £70k (2018: £28k).

NOTE B12 – Non-Controlling Interest

£118k has been recognised within Equity as a non-controlling interest and £30k recognised in the Income and Expenditure account (2018: £ nil). This arises from the minority stake retained by the shareholders of Casco Connect Limited (now renamed Equals Connect Limited), the white-label International Payments product.

NOTE B13 – Issued share capital

The table below shows the changes in issued share capital during 2019:

Table 12

Date	Number of shares	Event	Gross proceeds (£)	Net cash received (£)
1 January 2019	155,368,259			
27 March 2019	7,500,000	Shares issued to Crystal Amber through warrant exercise following their share subscription agreement in 2016. Warrant price, 27.0 pence per share	2,025,000	2,025,000
16 May 2019	1,149,424	Deferred consideration of Q Money Limited issued at 43.5 pence per share	499,999	-
29 May 2019	300,000	Share options exercised at 36.44 pence	109,320	105,120
9 August 2019	851,063	Subscription from founder of Hermex at 117.5 pence per share	1,000,000	-
9 August 2019	33,333	Share options exercised at 29.75 pence	9,917	9,917
20 August 2019	12,727,000	Share placing at 110.0 pence before expenses of £825,305	13,999,700	13,174,395
4 September 2019	246,173	Shares issued on open offer under Excess Application facility at 110.0 pence per share before expenses of £39,950	270,790	230,840
22 November 2019	377,666	Issue of shares following acquisition of Casco at 84.4 pence per share	318,750	318,750
11 December 2019	50,000	Share options exercised at 29.75 pence per share	14,875	14,875
31 December 2019	178,602,918		18,248,350	15,878,897

1 January 2019	155,368,259		
	22,851,326	Cash raised from equity issues	15,748,985
	383,333	Cash raised from share option exercise	129,912
31 December 2019	178,602,918		15,878,897

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

C. CASH FLOW AND NOTES

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

Table 13

£000's	2019	2019	2018	2018
Adjusted EBITDA (Table 1)		9,055		7,512
Less: R&D rebate accrued for current year	(2,535)		(1,261)	
Less: IFRS 16 impact	(1,152)		-	
Less: separately reported items (Table 9)	(3,423)		(3,543)	
Add / (Less): Working capital absorption and similar	1,731		637	
		(5,379)		(4,167)
Less: Internally capitalised software (table 8)	(8,307)		(5,251)	
Less: Purchase of other intangible assets	(806)		(508)	
		(9,113)		(5,759)
Less: Purchase of property, plant and equipment		(1,452)		(671)
		(6,889)		(3,085)
Add: Cash raised from equity issues (Note C1)	15,749		-	
Add: Cash raised from share options (Note C2)	130		-	
		15,879		-
Less: Cash consideration for acquisitions net of cash acquired (Note C3)		(3,325)		(6,564)
NET CASH FLOWS		**5,665**		**(9,649)**
Balance at 1st January		9,317		*18,966
Balances at 31 December		14,982		9,317
Comprising:				
Cash at bank and in hand including regulatory deposits		11,265		7,860
Balances with liquidity providers		3,717		1,457
		14,982		9,317
Shares in issue		178,602,918		155,368,259
Amount per share		8.4pence		6.0pence
*The composition of balances at 31 December 2017 was:				17,803
Cash at bank and in hand including regulatory deposits				1,163
Balances with liquidity providers				18,966

NOTE C1 – Cash from equity raise

As shown in note B12, £15.7 million net of expenses, was raised from the issue of shares other than from employee share options exercised during the year.

NOTE C2 – Cash from the exercise of share options

A total of 383,333 of share options were exercised by employees during the year generating gross funds of £134,112 and after costs of £4,200 the net received was £129,912.

NOTE C3 – Acquisitions during the year

The Group made two material acquisitions during the year:

- On 9 August 2019 it was announced that the Group would acquire the trade and assets of Hermex International Limited and integrate it into the Group's International Payments business. The initial cash consideration paid was £1.7 million. A key executive who joined the Group agreed to subscribe for 851,063 ordinary shares at the prevailing price of 117.5 pence, a total subscription of £1,000,000. At the balance sheet date, £300,000 of deferred consideration was outstanding and this was settled in Q1-2020.
- On 19 November 2019 it was announced that the Group would acquire Casco Financial Services Limited and integrate it into the Group's International Payments business. The initial cash consideration was £1.406 million (with £400k being subject to a retention); augmented by the issue of 377,666 ordinary shares of 1 pence at 84.4 pence; and a further contingent consideration of £510,626. At the balance sheet date £400,000 of deferred consideration and £510,626 contingent consideration was outstanding. As part of the acquisition, one company acquired has a minority interest of 48.19%. The results from this shown within non-controlling interests.

Historic acquisition

On 20 February 2018 the Group acquired City Forex Limited. The total paid for the company was £9,216,552, but £2,652,718 of cash was left on its balance sheet so the net cash outflow (excluding professional fees) was £6,563,834.

Post Balance Sheet Event – Wirecard AG

The Group has a financial relationship with Wirecard Card Solutions Limited ("WCSL"), a wholly owned subsidiary of Wirecard AG. WCSL is regulated by the Financial Conduct Authority (FCA) under its electronic money licence and provides card issuing services to the Group.

Wirecard AG, the parent of WCSL filed for insolvency on 25 June 2020 and so subsequently the FCA took the step to freeze WCSL's regulated trading activities on the 26 June 2020 in order to protect customer funds held by WCSL in trust accounts with deposit taking banks and as a consequence has temporarily paused its card issuing services, including cards issued to the Group's customers. The Group's receivables position as at 31 December 2019 was £665k and at the date of this statement was £359k.

In preparing its going-concern models, the Group did extensive scenario planning and included in this analysis a scenario where significant trade receivables were not collected. Card deposits are not on the Balance Sheet of the Group, they are held with Wirecard Card Solutions and ring-fenced under the FCA rules with Tier-1 banks.

Considering the above information, the Group has no reason to believe that WCSL is insolvent and therefore there is no requirement to impair the receivable outstanding.

Richard Cooper

RICHARD COOPER
Chief Financial Officer

30 June 2020

Compliance with Companies Act 2006, Section 172 Statement

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in good faith, which would most likely promote the success of the company for the benefit and interests of all its stakeholders as a whole. The Group's stakeholders include, but are not limited to, its employees; suppliers; customers; regulators; and investors.

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

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

EMPLOYEES

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

During the year the Group acquired the workforce from two separate companies and recognises the need for successful integration of all staff. As a result of this, in 2020, the missions, visions and goals are being refreshed in order for staff to feel under one umbrella and working towards one goal.

SUPPLIERS

Supplier interests include fair trading, payment terms and working towards building a successful relationship. The Group will regularly review its supplier payments and performance alongside its monitoring of its performance. The Group's Modern Slavery Statement sets out the processes put in place in order to combat modern slavery in the business and its supply chains. https://www.equalsPLC.com/content/investors/corporate-governance

CUSTOMERS

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

REGULATORS AND COMPLIANCE

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

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

INVESTORS

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

The Strategic Report on pages 6 to 27 was approved and authorised for issue by the Board on 30 June 2020, and was signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer

30 June 2020

Governance

Risk Report
for the year ended 31 December 2019

The Board of Equals Group PLC ('PLC") has a Risk Committee ('RC") that reports to the Board thereof and is chaired by the Group head of regulatory compliance, an employee. It also comprises at least two senior members of the Executive team and other appointments include a representative from each department. The Committee meets quarterly and ideally coincides with the meetings of the Board of Directors.

The purpose of the Risk Committee is to ensure that the risks inherent to the Group and the processes put in place enable the Group to meet its strategic objectives. The actions of the Risk Committee are a standing item on the Board agenda. Commercial risks are assessed by the Executive Directors and reported to the Board.

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

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

RISK REPORT CONTINUED

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

DIVIDEND

The Board did not recommend the payment of a dividend for 2019, since its capital allocation strategy at this stage is focused entirely on investing in the business to achieve our growth and efficiency objectives. However, the Board will continue to keep this under review.

BREXIT ASSESSMENT

The UK left the EU on 31 January 2020. As was identified in the previous year, the risk and impact of Brexit is minimal to the Group which has relationships with customers, suppliers and staff mainly based in the UK. The Group provides financial services to its customers, so no goods are supplied except for physical prepaid and debit card stock. All the Group's customers and primary suppliers are UK based so there is no material impact on cross-border supplies of services or goods between the UK and the remaining members of the European Union. The Group holds regulatory licenses that can be passported throughout the EU.

COVID-19

Since 2019 year end the Group's operations has undoubtedly been impacted by Covid-19, however with the increased product diversification throughout 2019, the risk to the Group has been lessened. The Group responded quickly with staff having the capability to work from home, taking advantage of the Government's furlough scheme and staff taking temporary salary reductions. The Group continues to closely monitor the liquidity and performance of the Group. The Group has assessed the impact of Covid-19 within the Chief Executive's Report on pages 7 to 9.

JOHN PEARSON
Chairman

30 June 2020

Corporate Governance Report
for the year ended 31 December 2019

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

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

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

BOARD OF DIRECTORS

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

DIRECTORS

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

John Pearson – Chairman, and Non-Executive Director
(date of appointment: 21 November 2014)
Committees: Audit Committee, Remuneration Committee

John has considerable experience in the digital, media and broadcast industries. He was co-founder and CEO of Virgin Radio for 13 years. He was also Chairman of Shazam Entertainment, a smartphone-based music identification service; co-founder of World Architecture News.com; and a Director of Ginger Media Group. He is also co-founder of The Food.com.

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

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

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

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

Robert Head – Independent Non-Executive Director
(date of appointment: 20 July 2016)
Committees: Chairman of Audit Committee and Remuneration Committee

Robert Head has held a variety of management roles including Regional Director for Old Mutual's African interests, the joint founder of egg.com and the first CEO of smile.co.uk. His most recent roles were that of a Special Advisor to the Commissioner of SARS (South African Revenue Service) and prior to that CEO of Old Mutual's Wealth Management Division. Robert is a Chartered Accountant and a Fellow of the Chartered Institute of Bankers.

Ajay Chowdhury – Independent Non-Executive Director
(date of appointment: 28 July 2014)
Committees: Audit Committee, Remuneration Committee

An experienced company director with particular expertise in digital media, digital retail, online and mobile industries. Ajay is Partner and Managing Director of BCG Digital Ventures and was previously CEO of Seatwave Limited, an online ticket sales marketing company, Executive Chairman of a multi-channel marketing company, ComQi Group and Chairman of Shazam. He is also currently Non-Executive Director of the Department of Culture Media and Sport as well as the British Screen Advisory Council.

Alan Hughes - Independent Non-Executive Director (date of appointment: 1 March 2020)
Committees: Audit Committee, Remuneration Committee

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

EFFECTIVENESS

The Board has reviewed the independence of the Chairman and each of the Non-Executive Directors ("NEDs") and considers them to be independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. The Board paid particular attention to each of the NEDs having share options. These were granted at a time when the company was not profitable and needed to conserve cash flow. In the view of the Board the options are neither material to each of the NEDs nor the Company and each of the NEDs is very aware of their obligations to all stakeholders.

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

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

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

At the Annual General Meeting held on 17 June 2019, the proposed resolutions received the following proportion of votes:

	In Favour	Opposed	Withheld
Adoption of 2018 Annual Report and Consolidated Financial Statements	100.00%	0.00%	0.00%
Re-appointment of KPMG LLP as auditor to the Company and authority for the Directors to set the auditors' remuneration	99.99%	0.01%	0.00%
Authority to allot shares	100.00%	0.00%	0.00%
Dis-application of pre-emption rights	100.00%	0.00%	0.00%
Amendment to Articles	100.00%	0.00%	0.00%

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee and formally delegated duties and responsibilities as described below. The attendance record of each relevant Director at Board and committee meetings during 2019 is as follows:

	Board 8 Meetings	Audit Committee 3 Meetings	Remuneration Committee 3 Meetings	Nomination Committee 2 Meetings
John Pearson	8	3	3	2
Ian Strafford-Taylor	8	n/a	n/a	n/a
Ajay Chowdhury	8	2	3	2
Robert Head	8	3	3	2
Richard Cooper	2	n/a	n/a	n/a

CORPORATE GOVERNANCE REPORT CONTINUED

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

CULTURE

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

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

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee is chaired by Robert Head and comprised of the other Non-Executive Directors; John Pearson, Ajay Chowdhury and Alan Hughes .The Audit Committee will meet at least 3 times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee also meets regularly with the Group's external auditor.

The Audit Committee report is included on pages 35 -37.

REMUNERATION COMMITTEE

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

The Remuneration Committee currently comprises the three Non-Executive Directors and chaired by Robert Head. Other meeting attendees included Ian Strafford-Taylor, Equals Chief Executive Officer (except during discussions regarding the CEO's remuneration, when he was excused from the proceedings of the meeting).

The remuneration committee report is included on page 38-39.

NOMINATION COMMITTEE

The Nomination Committee is responsible for developing and maintaining an effective and rigorous procedure for making recommendations on the appointments and re-appointments to the Board. The Nomination Committee comprises John Pearson, Robert Head and Ajay Chowdhury and is chaired by John Pearson.

SHARE DEALING CODE

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

The Corporate Governance Report was approved and authorised for issue by the Board on 30 June 2020, and was signed on its behalf by:

JOHN PEARSON
Chairman

Directors' report
for the year ended 31 December 2019

The Directors present their annual report and consolidated audited financial statements for the year ended 31 December 2019.

FINANCIAL REPORTING

The consolidated financial statements for the year ended 31 December 2019 are set out on pages 49 to 84 for Equals Group PLC. These have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB).

PRINCIPAL ACTIVITIES

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

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

The Company was incorporated on 4 March 2014, and on 22 July 2014 acquired the entire shareholding of FairFX (UK) Limited through a share for share exchange. For the consolidated financial statements of the Group, prepared under IFRS as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB), the principles of reverse acquisition under IFRS 3 Business Combinations have been applied. The steps to restructure the Group had the effect of Equals Group PLC being inserted above FairFX (UK) Limited. The holders of the share capital of FairFX (UK) Limited were issued fifty shares in Equals Group PLC for one share held in FairFX (UK) Limited. The shares of the Company were admitted to trading on AIM on 5th August 2014.

KEY PERFORMANCE INDICATORS

The Strategic Report set out on pages 6 to 27 provides key performance indicators and an assessment of the Group's financial performance throughout the year.

RELATIONSHIP WITH EMPLOYEES

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

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

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

DIRECTORS

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

I A I Strafford–Taylor
R Q M Cooper (appointed 14 October 2019)
A Chowdhury
J Pearson
R M Head
A Hughes (appointed 1 March 2020)

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2019 held the following shares in the Company:

	Shareholding %	Ordinary 1p shares 2019
I A I Strafford - Taylor	1.19%	2,127,750
R Q M Cooper	0.03%	54,000
J Pearson	0.02%	27,500

DIRECTORS' REPORT CONTINUED

The Directors held the following unexercised share options in the Company:

	Option price (£)	Number Granted	Date Granted
I A I Strafford - Taylor	0.22	192,950	28/07/2014
	0.36	1,789,300	28/07/2014
	0.36	1,535,750	28/07/2014
	0.30	750,000	28/09/2016
	1.01	750,000	26/09/2019
A Chowdhury	0.36	88,889	28/07/2014
	0.30	50,000	28/09/2016
J Pearson	0.58	120,000	01/11/2014
	1.16	120,000	01/11/2014
	1.74	120,000	01/11/2014
	0.30	250,000	28/09/2016
R M Head	0.30	133,333	28/09/2016
R Q M Cooper	1.01	500,000	26/09/2019

INDEMNITY INSURANCE

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

CAPITAL STRUCTURE

Details of the Group's authorised and issued share capital, together with details of the movement therein, are set out in note 18 to the financial statements. This includes the rights and obligations attaching to shares and restrictions on the transfer of shares. There are no restrictions on the transfer of the Company's shares. Details of Directors and Major Shareholders (that hold greater than 3.0%) are set out below:

Name	No. of Ordinary Shares held	Percentage of issued capital
Crystal Amber Fund Limited	38,454,997	21.53 %
Pembar Limited	26,735,813	14.97 %
BlackRock	11,061,142	6.19 %
Bennbridge – Schroder & Tellworth Funds	9,482,152	5.31 %
Christian Levett	7,024,900	3.93 %
Stephen Heath	6,262,361	3.51 %
Bill and Catherine Currie	5,650,000	3.16 %

ENVIRONMENT

The Directors believe the Group's greenhouse gas emissions are minimal and largely limited to it offices. As such, carbon dioxide emission data has not been collected or disclosed under the UK Companies Act 2006.

RESEARCH AND DEVELOPMENT

The Group has continued its investment in research and development throughout the year. A detailed review of the work undertaken can be found in the Chief Executive's Report on pages 7 to 9.

RISK AND RISK MANAGEMENT

The Group is exposed to various financial and operational risks. Further details of these, including processes put in place to mitigate these risks, are disclosed in the Risk Report on pages 29-30 and note 21 of the financial statements.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were appointed as auditors for the 2019 audit. Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to be have been reappointed as auditor 28 days after the financial statements are sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

DISCLOSURE OF INFORMATION TO AUDITOR

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

POST BALANCE SHEET EVENTS

The Group completed a corporate restructure on 1 January 2020, resulting in the liquidation of various non-essential wholly owned subsidiaries and some changes in the ownership of the remaining subsidiaries. The purpose of the restructure was to yield administrative and accounting efficiencies and provide a more transparent structure for both customers and supply chains.

DIRECTORS' REPORT CONTINUED

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Group has been undoubtedly been impacted by this situation but is confident that it is positioned well. The Chairman's statement on page 6 and Risk Report on pages 29 to 30 give a more detailed assessment of the impact of Covid-19 on the Group. Covid-19 is a non-adjusting post balance sheet event.

On 26 June 2020, a supplier to the Group, Wirecard Card Services ('WDCS') had its licences suspended by the FCA. WDCS is one of three options the Group has for issuance of prepaid cards. This suspension does not affect the Group's B2B activities and disruption is mainly limited to B2C travel cards. The financial impact to the Group is limited in terms of currently anticipated results for 2020 and the Group has contingency plans in place should the situation at WDCS persist.

FUTURE DEVELOPMENT

The Group will continue to align its marketing efforts across its brands as well as its development across the B2B business. B2B will continue to remain the focus, with increased emphasis on marketing additional payment solution for businesses and expanding the functionality and customer base of the expense management platform. Investments will allow the Group to deploy faster and scale to new markets should opportunities arise.

GOING CONCERN

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

Based on the Group's budgets and financial projections, the Directors are satisfied that the business is a going concern and therefore the financial statements have been prepared on a going concern basis. This assessment is based on whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and the effectiveness of risk management policies. The Group has no bank borrowings and has maintained its cash position. Further details of post balance sheet trading and position can be found in the Chairman's Statement on page 6.

The Directors' Report was approved by the Board on 30 June 2020 and signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Audit Committee Report
for the year ended 31 December 2019

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

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

COMMITTEE COMPOSITION

The Audit Committee is chaired by Robert Head and comprised of the other Non-Executive Directors; John Pearson and Ajay Chowdhury. Other meeting attendees included Alan Hughes (appointed 1 March 2020), members of the external audit team, Ian Strafford-Taylor, CEO; Richard Cooper, CFO, appointed 14 October 2019; and other members of the finance team. The Committee has given the opportunity for the various attendees to have closed meetings without the other attendees to debate any issues that may arise.

ROLES AND RESPONSIBILITIES

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

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

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

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

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

COMMITTEE ACTIVITIES DURING THE YEAR

Financial statements and business reports

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

RISK MANAGEMENT

- Selected a new auditor following the resignation of the outgoing auditor KPMG;
- Reviewed and debated the risk logs and the actions being taken to optimise risks;
- Considered what other risks should be considered by the business which may not have been captured by the risk logs;
- Informed external audit of risk areas the audit committee viewed as being material to their audit approach.

AUDIT COMMITTEE REPORT CONTINUED

EXTERNAL AUDIT

- Debated and agreed the external audit strategy;
- Noted the adjusted and non-adjusted differences and debated the highlights memo previously circulated to committee members;
- Acknowledged that the prepared financial statements represented a true and fair view of the Group's affairs, were in accordance with IFRS as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB) and had been prepared in accordance with the Companies Act 2006. Their enquiries included regular management and KPI reporting, analytical review and sign off on key control accounts;
- Review progress in dealing with control issues raised by the external auditors in their management letter;
- Reviewed and approved the Letter of Representation sent by the Company to the external auditors.

OTHER

- Confirmation that the external auditor, as part of its role as Group Auditor of the Group's Consolidated Financial Statements, would be appointed to audit all trading entities as is required for a UK Listed Group;
- Compliance with laws and regulations including money laundering.

GOVERNANCE

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

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

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

ENGAGEMENT OF THE EXTERNAL AUDITOR AND TENURE

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

AUDITOR INDEPENDENCE

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

EXTERNAL AUDIT EFFECTIVENESS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

AUDIT COMMITTEE REPORT CONTINUED

CONFLICTS OF INTEREST

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

SIGNIFICANT ISSUES

Significant issues and accounting judgements (refer to note 3.24) are identified by the Committee, the finance team, or through the external audit process and are reviewed by the audit committee.

POST YEAR END ACTIVITIES

The Audit Committee has continued the above activities in 2020. The most material issues have been:

- The 2019 Annual Report and Consolidated Financial Statements, and the committee has recommended that both be approved by the Board;
- A review of Cash Flow forecasts statement as overseen by the Chief Financial Officer. This year the impact of Covid-19 made this review more complex and necessitated the modelling of extreme scenarios based on judgement and the trading results so far in 2020. As a result, the Committee concluded the business should be considered a going concern, and the financial statements could be prepared as such.

ROBERT HEAD
Chair of the Audit Committee

Directors' remuneration report
for the year ended 31 December 2019

The Company has a Remuneration Committee currently comprising the three Non-Executive Directors and chaired by Robert Head.

The other members on the Committee during the year were John Pearson and Ajay Chowdhury. Other meeting attendees included Ian Strafford-Taylor, Equals Chief Executive Officer (except during discussions regarding the CEO's remuneration, when he was excused from the proceedings of the meeting).

REMUNERATION OUTCOMES FOR 2019

Base salary

The Committee approved the increase of Ian Strafford-Taylor's (Group Chief Executive Officer) salary from 1 April 2019 by £12,500 (1 January 2018: £12,500).

A review of the Non-Executive directors' salaries resulted in an increase of Robert M Head's (Chairman of Audit Committee) remuneration from 1 April 2019 by £5,000 (2018: Nil) and John Pearson's (Chairman) remuneration from 1 April 2019 by £20,000 (2018: Nil). Neither were involved in their own remuneration discussion and decision.

This was agreed to be appropriate due to performance, inflation and the increased scale of the business.

Changes to remuneration payments for Robert M Head and Ajay Chowdhury, from being paid quarterly in arrears to monthly, resulted in their remuneration in 2019 being £10,000 higher than in 2018. This will normalise in 2020.

Annual bonus outcomes for the financial year

The Committee approved the bonus payment made to the Group Chief Executive Officer in 2019.

TOTAL REMUNERATION

Single figure of total remuneration

The following tables provide details of the Directors' remuneration for the 2019 and 2018 financial year before deductions for income tax and national insurance contributions (where relevant).

	Gross Salary 2019 £	Bonus 2019 £	Employer Pension 2019 £	Total Remuneration 2019 £
Executive Directors				
I A I Strafford – Taylor	271,144	272,500	1,919	545,563
R Q M Cooper (appointed 14 October 2019)	55,128	-	-	55,128
Non-Executive Directors				
A Chowdhury	50,000	-	-	50,000
J Pearson	74,269	-	1,919	76,188
R M Head	55,000	-	-	55,000

	Gross Salary 2018 £	Bonus 2018 £	Employer Pension 2018 £	Total Remuneration 2018 £
Executive Directors				
I A I Strafford – Taylor	262,500	-	703	263,203
Non-Executive Directors				
A Chowdhury	40,000	-	-	40,000
J Pearson	60,000	-	703	60,703
R M Head	40,000	-	-	40,000

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' interest in long term incentive plan share options

Director award date	Option price (£)	Number Granted	Date Granted	Earliest Exercise date	Latest Exercise date
I A I Strafford – Taylor					
28/07/2014	0.22	192,950	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,789,300	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,535,750	28/07/2014	05/08/2016	03/11/2022
28/09/2016	0.3	250,000	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.3	250,000	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.3	250,000	28/09/2016	28/09/2019	27/09/2026
26/09/2019	1.01	250,000	26/09/2019	26/09/2020	26/09/2029
26/09/2019	1.01	250,000	26/09/2019	26/09/2021	26/09/2029
26/09/2019	1.01	250,000	26/09/2019	26/09/2022	26/09/2029
A Chowdhury					
28/07/2014	0.36	88,889	28/07/2014	05/08/2016	03/11/2022
28/09/2016	0.3	16,667	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.3	16,667	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.3	16,666	28/09/2016	28/09/2019	27/09/2026
J Pearson					
01/11/2014	0.58	120,000	01/11/2014	05/08/2016	31/10/2024
01/11/2014	1.16	120,000	01/11/2014	05/08/2016	31/10/2024
01/11/2014	1.74	120,000	01/11/2014	05/08/2016	31/10/2024
28/09/2016	0.3	83,333	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.3	83,333	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.3	83,334	28/09/2016	28/09/2019	27/09/2026
R M Head					
28/09/2016	0.3	44,444	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.3	44,444	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.3	44,444	28/09/2016	28/09/2019	27/09/2026
R Q M Cooper					
14/10/2019	1.01	166,667	14/10/2019	14/10/2020	14/10/2029
14/10/2019	1.01	166,667	14/10/2019	14/10/2021	14/10/2029
14/10/2019	1.01	166,666	14/10/2019	14/10/2022	14/10/2029
		6,400,222			

Breakdown of executive bonus outcome as a percentage of maximum

	2019 £	2018 £
Total Remuneration	**600,691**	**263,203**
Bonus outcome (% of max)	45%	-

ROBERT HEAD
Chair of the Remuneration Committee

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

for the year ended 31 December 2019

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU or IFRS as issued by the International Accounting Standards Board (IASB) and applicable law and have elected to prepare the Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU or IFRSs as issued by the International Accounting Standards Board (IASB);
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

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

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

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

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Independent auditors' report to the members of Equals Group PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Equals Group PLC's Group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2019 and of the Group's loss and the Group's and the company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income; the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

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Overall Group materiality: £225,000 (2018: £175,000), based on 2.5% of adjusted earnings before interest, taxation, depreciation and amortisation.
Overall company materiality: £19,000 (2018: £153,000), based on 1% of expenses.

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Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
The Group comprises multiple subsidiary entities in the UK. Most of the Group's accounting systems are centralised in the corporate head office located in London.
Our overall audit approach considered each subsidiary entity's contribution to the Group's financial reporting balances.

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Key audit matters:

Capitalisation of IT development costs
Carrying value of goodwill
Impact of COVID-19

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUALS GROUP 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. In particular, we looked at where the Directors made subjective judgements, 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 bias by the Directors that represented a risk of material misstatement due to fraud.

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.

Key audit matter	How our audit addressed the key audit matter
Considering the impact of Covid-19 (Group) Refer to the Post Balance Sheet Events in Note 26. Management's going concern considerations relating to the impact of COVID-19 has been assessed on pages 5 and 8. The Group and the company operates in the UK which has been impacted by the global pandemic of COVID-19. The pandemic has been disruptive to financial markets and normal patterns of human behaviour. The impact on the UK and global economy is expected to continue throughout 2020 and into 2021. In response, the UK and other governments, and the Bank of England, have announced measures, such as lowering the base rate and providing financial support to businesses, designed to limit the resulting adverse impacts on the economy. The Directors have specifically considered the impact on the Annual Report and financial statements, and its impact on their going concern assessment through evaluating the impact on the Group and company, as well as the liquidity position. In doing so, management has made assumptions that are critical to the outcome of these considerations.	Our response to the impact of Covid-19 included: • We engaged PwC experts to assist in performing a critical assessment of the Directors' conclusions in relation to their going concern assessment and consideration of the impact of COVID-19 on the annual accounts. This involved challenge and evaluation of management's key assumptions in respect of revenue forecasts and the appropriateness of those in line with current business performance. • We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment. • We determined that the impact of Covid-19 was a non-adjusting post-balance sheet event. • We considered the appropriateness of the disclosures made by management and the board in respect of the potential impact of COVID-19. Based on our procedures and the information available, we have not identified any matters to report with respect to the Directors' consideration of the impact of COVID-19 on the Group and company.
Capitalisation of IT development costs (Group) Refer to the accounting policy in note 3.8. Management's significant assumptions and estimates are set out in note 3.25. The determination of costs, particularly salaries and other people costs, that meet the criteria to be capitalised is subjective. The Group's judgements included determining the extent of time spent by employees performing IT and non-IT roles in developmental activities and whether costs, including employment expenses such as recruitment costs, were directly attributable to the relevant projects.	Our testing of capitalised internally generated intangible assets included: • We obtained an understanding of the Group's IT project plans including the nature and feasibility of key projects and activities performed. • We determined the likelihood of the projects delivering sufficient future economic benefits. • We obtained a breakdown of capitalised IT development costs and agreed this to the general ledger. • We agreed a sample of IT development cost additions to supporting documentation. • We recalculated the amounts capitalised and tested the reliability of data used within the calculation. Based on the procedures performed and evidence obtained, we found management's conclusions to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group) Refer to the accounting policy in note 3.12. Management's significant assumptions and estimates are set out in note 3.25. An impairment test was performed by management using a value-in-use (VIU) calculation on the individual cash generating units (CGUs) identified. The VIU is based on the requirements of the relevant accounting standard and assumptions about future cash flows which are estimated using the Group's business forecasts, long term growth rates and discount rates. These assumptions, which are judgemental, are derived from a combination of management estimates, market data and other information provided by external parties. For one of the CGUs, an impairment was identified and recognised by management. The most significant assumptions related to forecast revenue and costs, long term growth rates and the Group's weighted average cost of capital. Management utilised an expert to support their analysis and provide comparable data to support their estimates.	Procedures performed to support our audit testing and conclusions included: • We challenged the Directors' identification and allocation of goodwill and other assets to CGUs based on our understanding of the business. • We evaluated, challenged, and agreed to supporting evidence where available the Group's assumptions used in the annual impairment review of goodwill, in particular the forecast cash flows and the discount rate applied. • We tested the mathematical accuracy of the value in use calculations used in the annual impairment review. • We considered the skills, experience and independence of management's experts used. • We reconciled the impairment charge recognised in the financial statements back to the impairment review performed by management. Based on the procedures performed and evidence obtained, we found management's conclusions 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 accounting processes and controls, and the industry in which they operate.

Within the Group's main consolidation and financial reporting system, the consolidated financial statements are a consolidation of subsidiary entities. In establishing the overall approach to the Group audit, we scoped our work using the balances included in the consolidation. We determined the type of work that needed to be performed over the subsidiary entities by us, as the Group engagement team.

As a result of our scoping, we determined that an audit of the complete financial information of FairFx plc, City Forex Limited, Spectrum Card Services Limited and Spectrum Payment Services was necessary, owing to their financial significance. All audit work over these subsidiary entities was performed by the Group engagement team.

We then considered the significance of other reporting units in relation to primary statement account balances. In doing this we also considered the presence of any significant audit risks and other qualitative factors. For two reporting units, specific audit procedures were performed over selected significant account balances. For the remainder, the risk of material misstatement was mitigated through Group audit procedures including subsidiary level analytical review procedures.

Certain Group-level account balances, including goodwill, were audited by the Group engagement team.

Materiality

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

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

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

	Group financial statements	Company financial statements
Overall materiality	£225,000 (2018: £175,000).	£19,000 (2018: £153,000).
How we determined it	2.5% of adjusted earnings before interest, taxation, depreciation and amortisation.	1% of Expenses.
Rationale for benchmark applied	Based on performance measures used in the annual report, adjusted earnings before interest, taxation, depreciation and amortisation is the primary measure used by the management and shareholders in assessing the performance of the Group. The exclusion of interest, taxation, depreciation, amortisation and exceptional items provides a consistent benchmark of the Group's performance.	The company is a holding company. Expenses are the primary measure and therefore have been used to determine materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £46,000 and £168,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £15,000 (Group audit) (2018: £9,750) and £1,000 (company audit) (2018: £10,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

We have no exceptions to report arising from this responsibility.

D Brydon

DANIEL BRYDON
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 June 2020

Financial statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2019 £	2018 (*[1]Restated) £
Gross value of currency transactions sold*[2]	3.4	2,117,459,669	1,783,710,215
Revenue on currency transactions		25,611,521	20,463,645
Banking revenue		5,333,203	5,628,747
Revenue	4	30,944,724	26,092,392
Direct costs		(10,378,265)	(8,551,315)
Gross profit		20,566,459	17,541,077
Administrative expenses	5	(20,123,517)	(14,156,777)
Amortisation charge	12	(2,830,587)	(1,318,649)
Impairment charge	12	(4,858,898)	–
Acquisition expenses	5c	(478,476)	(297,484)
Total operating expenses		(28,291,478)	(15,772,910)
Operating (loss) / profit		(7,725,019)	1,768,167
Finance costs	11	(233,564)	–
(Loss)/profit before tax		(7,958,583)	1,768,167
Tax credit	8	2,586,885	849,499
(Loss)/profit and total comprehensive (expense)/income for the year		(5,371,698)	2,617,666
Loss is attributable to:			
Owners of Equals Group PLC		(5,342,074)	2,617,666
Non-controlling interest		(29,624)	–
(Loss)/earnings per share			
Basic	9	(3.20)	1.68
Diluted	9	(3.12)	1.64

*[1]Refer to note 3.1

*[2]Gross value of transactions sold is a non-GAAP measure and represents gross value of currency transactions sold to customers. See Note 3.4 for more guidance.

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

The notes on pages 54 to 84 form an integral part of these financial statements.

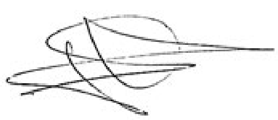
Consolidated and Company Statement of Financial Position

as at 31 December

	Note	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
ASSETS					
Non-current assets					
Property, plant and equipment	10	1,972,818	941,826	–	–
Right of use assets	11	6,948,876	–	–	–
Intangible assets and goodwill	12	33,324,137	27,107,873	–	–
Deferred tax assets	8	2,438,859	2,895,642	238,369	–
Investments	13	–	–	38,892,060	38,725,451
		44,684,690	30,945,341	39,130,429	38,725,451
Current assets					
Inventories	15	263,971	286,713	–	–
Trade and other receivables	16	11,347,749	7,150,750	20,138,017	4,907,704
Derivative financial assets	20	4,560,780	1,181,892	–	–
Cash and cash equivalents	17	11,265,266	7,860,368	–	–
		27,437,766	16,479,723	20,138,017	4,907,704
TOTAL ASSETS		72,122,456	47,425,064	59,268,446	43,633,155
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	18	1,786,029	1,553,682	1,786,029	1,553,682
Share premium		53,003,077	35,858,770	53,003,077	35,858,770
Share based payment reserve		1,345,234	1,748,105	957,757	835,148
Merger reserve		8,395,521	8,395,521	2,979,438	2,979,438
Contingent consideration reserve		207,100	543,172	207,100	543,172
Retained (deficit)/earnings		(15,338,881)	(9,832,880)	(1,624,991)	240,954
Equity attributable to owners of Equals Group PLC		49,398,080	38,266,370	57,308,410	42,011,164
Non-controlling interest		118,826	–	–	–
		49,516,906	38,266,370	57,308,410	42,011,164
Non-current liabilities					
Lease liabilities	11	6,431,578	–	–	–
Deferred tax liabilities	8	3,226,586	1,900,607	–	–
		9,658,164	1,900,607	–	–
Current liabilities					
Trade and other payables	19	7,947,364	6,679,131	1,960,036	1,621,991
Lease liabilities	11	811,628	–	–	–
Derivative financial liabilities	20	4,188,394	578,956	–	–
		12,947,386	7,258,087	1,960,036	1,621,991
TOTAL EQUITY AND LIABILITIES		72,122,456	47,425,064	59,268,446	43,633,155

The notes on pages 54 to 84 form an integral part of these financial statements.

The financial statements on pages 49-84 were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by:



Ian Strafford-Taylor

Director

Company Registration number: 08922461

Consolidated and Company Statement of Changes in Equity

for the year ended 31 December

Group	Share capital	Share premium	Share based payment	Retained (deficit) / earnings	Merger reserve	Contingent consideration reserve	Total attributable to owners of Equals Group PLC	Non-controlling interest	Total
	£	£	£	£	£	£	£	£	£
	Attributable to the owners of Equals Group PLC								
At 1 January 2018	1,553,682	35,858,770	1,144,832	(12,450,546)	8,395,521	543,172	35,045,431	–	35,045,431
Profit for the year and total comprehensive income	–	–	–	2,617,666	–	–	2,617,666	–	2,617,666
Share based payment charge (note 22)	–	–	603,273	–	–	–	603,273	–	603,273
At 31 December 2018	1,553,682	35,858,770	1,748,105	(9,832,880)	8,395,521	543,172	38,266,370	–	38,266,370
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	–	–	148,450	148,450
Loss for the year and total comprehensive income	–	–	–	(5,342,074)	–	–	(5,342,074)	(29,624)	(5,371,698)
Share based payment charge (note 22)	–	–	122,609	–	–	–	122,609	–	122,609
Movement in deferred tax on share based payment reserve	–	–	(525,480)	–	–	–	(525,480)	–	(525,480)
Shares issued in year	232,347	17,144,307	–	(163,927)	–	(336,072)	16,876,655	–	16,876,655
Capital reserve movement	–	–	–	–	–	–	–	–	–
At 31 December 2019	1,786,029	53,003,077	1,345,234	(15,338,881)	8,395,521	207,100	49,398,080	118,826	49,516,906

Company	Share capital	Share premium	Share based payment	Retained (deficit) / earnings	Merger reserve	Contingent consideration reserve	Total attributable to owners of Equals Group PLC	Non-controlling interest	Total
	£	£	£	£	£	£	£	£	£
At 1 January 2018	1,553,682	35,858,770	781,383	(1,123,092)	2,979,438	543,172	40,593,353	–	40,593,353
Profit for the year and total comprehensive income	–	–	–	1,364,046	–	–	1,364,046	–	1,364,046
Share based payment charge (note 22)	–	–	53,765	–	–	–	53,765	–	53,765
At 31 December 2018	1,553,682	35,858,770	835,148	240,954	2,979,438	543,172	42,011,164	–	42,011,164
Loss for the year and total comprehensive income	–	–	–	(1,702,018)	–	–	(1,702,018)	–	(1,702,018)
Shares issued in the year	232,347	17,144,307	–	(163,927)	–	(336,072)	16,876,655	–	16,876,655
Share based payment charge (note 22)	–	–	122,609	–	–	–	122,609	–	122,609
At 31 December 2019	1,786,029	53,003,077	957,757	(1,624,991)	2,979,438	207,100	57,308,410	–	57,308,410

There is no impact on opening equity on the adoption of IFRS 16 Leases on 1 January 2019.

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for shares in excess of nominal value less directly attributable costs.
Share based payment reserve	Proportion of the fair value of share options granted relating to services rendered up to the balance sheet date.
Retained deficit	Cumulative profit and losses attributable to equity shareholders.
Merger reserve	Arising on reverse acquisition from Group reorganisation.
Contingent consideration reserve	Arising on equity based contingent consideration on acquisition of subsidiaries.

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

The notes on pages 54 to 84 form an integral part of these financial statements.

Consolidated Statement of Cash flows

for the year ended 31 December

Group	Note	2019 £	2018 £
(Loss)/profit for the year		(5,371,698)	2,617,666
Cash flows from operating activities			
Adjustments for:			
Interest on finance lease		233,564	–
Depreciation		1,347,872	200,123
Amortisation		2,830,587	1,318,649
Impairment		4,858,898	–
Share based payment charge		122,609	53,765
Increase/(decrease) in deferred tax asset on share-based payment		(525,480)	549,508
Increase in trade and other receivables		(4,203,756)	(1,551,213)
Increase in derivative financial assets		(3,378,888)	(878,117)
Decrease/(increase) in deferred tax asset		456,784	(2,383,730)
Increase in trade and other payables		1,443,563	1,899,118
Increase in deferred tax liabilities		1,325,978	878,369
Increase in derivative financial liabilities		3,609,438	433,751
Decrease/(increase) in inventories		22,742	(86,966)
Net cash inflow from operating activities		2,772,213	3,050,923
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,460,870)	(670,827)
Acquisition of intangibles		(11,679,597)	(5,758,957)
Acquisition of subsidiary, net of cash acquired		(2,226,153)	(6,563,834)
Net cash used in investing activities		(15,366,620)	(12,993,618)
Cash flows from financing activities			
Principal elements of lease payments		(643,786)	–
Interest paid on finance lease		(233,564)	–
Proceeds from issuance of ordinary shares		17,748,353	–
Costs directly attributable to share issuance		(871,698)	–
Net cash from financing activities		15,999,305	–
Net increase/(decrease) in cash and cash equivalents		3,404,898	(9,942,695)
Cash and cash equivalents at the beginning of the year		7,860,368	17,803,063
Cash and cash equivalents at end of the year	17	11,265,266	7,860,368

The notes on pages 54 to 84 form an integral part of these financial statements.

Company Statement of Cash flows
for the year ended 31 December

Company	2019 £	2018 £
(Loss)/profit for the year	(1,702,018)	1,364,046
Cash flows from operating activities		
Adjustments for:		
Share based payment charge	–	53,765
Increase in trade and other receivables	(15,230,313)	(965,517)
Increase/(decrease) in trade and other payables	294,045	(452,294)
Increase in deferred tax asset	(238,369)	–
Net cash outflow from operating activities	(16,876,655)	–
Cash flows from financing activities		
Proceeds from issuance of shares	17,748,353	–
Costs directly attributable to share issuance	(871,698)	–
Net cash from financing activities	16,876,655	
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at end of the year	–	–

At 31 December the Company held no bank accounts.

The notes on pages 54 to 84 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

1. GENERAL INFORMATION

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

The Company and Group's consolidated financial statements for the year ended 31 December 2019 were authorised for issue on 30 June 2020 and the Company and Group's statement of financial position signed by I A I Strafford - Taylor on behalf of the Board.

2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS

The Group applied all applicable International Financial Reporting Standards (IFRS) as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB) and interpretations published by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) for the year ended 31 December 2019.

Adoption of new and revised accounting standards and interpretations:

- IFRS 16 *Leases*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- *Annual Improvements to IFRSs 2015-2017 Cycle* – various standards
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group also elected to adopt the following amendment early:

- *Definition of a Business (Amendments to IFRS 3)*

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the transition provisions in the standard.

The Group elected to early adopt Definition of a Business (Amendments to IFRS 3) so that it could use the amended definitions in the assessment of acquisitions in the current reporting period. The adoption had no impact on comparatives.

The other adoptions listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.*

The Group chose the modified retrospective transition approach. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (note 3.25 B). Right of use assets were measured at an amount equal to the lease liabilities (subject to certain adjustments). Under this approach, comparative information is not restated and there is no impact on equity.

The Group also applied practical expedients allowed by the standard (note 3.22). Additional disclosures have been provided regarding the application of IFRS 16 in note 11.

Standards issued but not yet effective

The following standards and interpretations (and amendments thereto) have been issued by the IASB and the IFRIC which are not yet effective and have not been yet adopted, many of which are either not relevant to the Group and Company or have no material effect on the financial statements of the Group and Company.

	Effective Dates *
Amendments to References to Conceptual Framework in IFRS Standards	01 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	01 January 2020
IFRS 17 *Insurance Contracts*	01 January 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
CONTINUED

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

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

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company and Group's accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.25.

Presentational adjustment

During the year, the Group performed an analysis of cost drivers. This process resulted in management determining that various costs previously disclosed as administrative expenses were directly linked to transactions generating revenues and should have been included within direct costs. As a result, administrative costs and direct costs have been restated in the 2018 comparatives. Staff costs have been re-categorised from Admin costs to Direct costs for commissions paid. Along with staff costs the following have also been re-categorised: bank charges, bad debts and marketing costs for affiliate commissions paid and vouchers.

Change in accounting policy

During the year, the Group changed its accounting policy for research and development tax credits (R&D tax credit) which had previously been accounted for under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Group believes that accounting for the R&D tax credit is more appropriate under IAS 12 *Income Taxes* which better reflects the substance and benefit of the credit. Under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the R&D tax credit, was deducted from administration expenses on a systemic basis. Under IAS 12 *Income Taxes* the R&D tax credit is included within tax credit / expense in the year that the claim relates to.

A change in accounting policy requires a retrospective adjustment and consequently the comparatives amounts have been restated. In 2018 an adjustment of £311,156 has been deducted from administrative costs and a corresponding amount included within tax credit. There is no adjustment to earnings per share or retained earnings. In 2019, the £3,478,997 has been recognised as tax income (see note 8). No periods prior to 2018 have been affected by the change in accounting policy.

2018	As stated £	Presentational adjustment £	Change in accounting policy £	Restated £
Consolidated statement of comprehensive income				
Revenue	26,092,392	–	–	26,092,392
Direct costs	(5,605,961)	(2,945,354)	–	(8,551,315)
Gross profit	20,486,431	(2,945,354)	–	17,541,077
Administrative expenses	(16,790,975)	2,945,354	(311,156)	(14,156,777)
Amortisation charge	(1,318,649)	–	–	(1,318,649)
Acquisition expenses	(297,484)	–	–	(297,484)
Operating profit	2,079,323	–	(311,156)	1,768,167
Tax credit	538,343	–	311,156	849,499
Profit and total comprehensive income for the year	2,617,666	–	–	2,617,666

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

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

3.2 Basis of consolidation
On 5th August 2014, Equals Group PLC (previously listed as FairFX Group PLC) listed its shares on AIM, a market operated by the London Stock Exchange. In preparation for the Initial Public Offering ("IPO") the Group was restructured. The restructure impacted a number of current year and comparative primary financial statements and notes. The effect of this reorganisation was to insert one new company into the Group, a new holding Company, Equals Group PLC.

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
CONTINUED**

3.5 Revenue recognition

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

IFRS 15 applies a five-step model:

1. Identify the contracts with customers.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction to the performance obligations in the contract.
5. Recognise the revenue when (or as) the entity satisfies the performance obligation.

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

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

Currency Cards

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

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

International Payments and Travel Cash

This service relates to the facility to buy and sell currency. A contract is identified when a payment is approved by the group and the customer. Performance obligations and transaction prices are set out in the contract. Revenue is recognised at a point in time using the relevant exchange rate.

Banking

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

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

3.6 Pension costs

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

3.7 Share-based payments

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. The cost of equity-settled transactions with employees, is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model, further details of which are given in note 22.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described on the previous paragraph.

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for the year ended 31 December 2019

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

3.8 Research and development

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

3.9 Treatment of research and development tax credits

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

3.10 Taxation

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

3.11 Deferred tax

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

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

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

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

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

3.12 Intangible assets and goodwill

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

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

3.13 Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 CONTINUED

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

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

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

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

3.16 Trade and other receivables
Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 3.23.

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

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

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

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

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

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

3.22 Leases
Policy applicable from 1 January 2019

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

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

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

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

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

There are no variable payment terms in current leases.

Policy applicable before 1 January 2019

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

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

3.23 Impairment

A. Non-derivative financial assets

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

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

Trade and other receivables

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

B. Non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The Group's CGU's for impairment testing are defined in note 12. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.24 Judgements and estimates

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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CONTINUED**

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

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

(ii) IFRS 16 *Leases – lease term and extension options*
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). All extension options in offices leases have been included in the lease liability.

(iii) IFRS 16 *Leases – incremental borrowing rate*
To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group which do not have recent third-party financing, and makes adjustments specific to the lease; inflation, country risk premium, financing spread level of indebtedness and asset specific risk.

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

Impairment of goodwill
The carrying value of goodwill is £14,349,796, following an impairment charge of £4,858,898 in the year. The assumptions and estimates used in the impairment test for goodwill including the sensitivity testing are disclosed in note 12.

3.25 Measurement of fair values

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

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

4. REVENUE AND SEGMENTAL ANALYSIS

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

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

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

Group	Currency Cards £	International Payments £	Travel Cash £	Banking £	Central £	Total £
2018						
Segment revenue	9,996,890	8,389,851	2,076,904	5,628,747	–	26,092,392
Direct costs (restated*)	(4,049,852)	(2,280,028)	(857,416)	(1,364,019)	–	(8,551,315)
Gross profit	5,947,038	6,109,823	1,219,488	4,264,728	–	17,541,077
Administrative expenses (restated*)	–	–	–	–	(14,156,777)	(14,156,777)
Amortisation charge	–	–	–	–	(1,318,649)	(1,318,649)
Acquisition expenses	–	–	–	–	(297,484)	(297,484)
Profit / (loss) before tax (restated*)	5,947,038	6,109,823	1,219,488	4,264,728	(15,772,910)	1,768,167
Total assets	–	–	–	3,702,854	43,542,210	47,425,064
Total liabilities	–	–	–	(1,064,980)	(8,093,714)	(9,158,694)
Total net assets	–	–	–	2,637,874	35,448,496	38,266,370

Refer to note 3.1

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
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5. (LOSS) / PROFIT BEFORE TAX

(Loss) / profit before tax is stated after charging / (crediting) the following operating costs:-

	Note	2019 £	2018 £
Operating leases – property*	5d/11	–	910,947
Operating leases – vehicles*	11	–	40,317
Marketing costs		4,089,772	3,076,015
Staff costs	6	10,695,174	7,900,288
Property and office costs	5d	1,015,832	318,273
Audit fees	5a	319,200	198,500
Other professional fees	5b	963,966	510,103
IT and telephone cost		877,597	666,756
Travel and similar		452,041	261,416
Foreign exchange loss		229,710	20,274
Share option charge		122,609	53,765
Bank charges		9,744	–
Depreciation of right of use assets*	11	917,993	–
Depreciation of property, plant and equipment	10	429,879	200,123
		20,123,517	14,156,777

* *IFRS 16 replaces operating and finance leases with a single lessee accounting model. As a result, the Group has brought operating lease assets and liabilities onto the statement of financial position, resulting in a depreciation and finance charge being recorded from 2019. The 2018 comparatives have not been restated.*

5A AUDIT FEES

Amounts charged by the Group's auditors are as follows:-

	2019 £	2018 £
Audit fees:-		
Fees payable for the audit of the Group	223,200	170,000
Additional audit fees payable for the prior year audit – to KPMG LLP	96,000	28,500
Total audit fees	319,200	198,500

The 2019 audit fee is payable solely to the Group's current auditor, PWC LLP. Audit fees relating to prior year audits were paid to KPMG LLP. There were no non-audit fees during the current and preceding year. These amounts are shown exclusive of VAT.

5B OTHER PROFESSIONAL FEES

	Note	2019 £	2018 £
Underlying costs		1,282,041	807,587
Less: re-categorised as acquisition expenses	5c	(318,075)	(297,484)
Total other professional fees		963,966	510,103

Notes to the Consolidated Financial Statements
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5C ACQUISITION COSTS

	Note	2019 £	2018 £
Professional fees	5b	318,075	297,484
Staff costs	6	160,401	–
Total acquisition costs		478,476	297,484

5D PROPERTY AND OFFICE COSTS

	Note	2019 £	2018 £
Underlying expenditure		2,370,953	1,229,220
Capitalised costs		(203,654)	–
Depreciation of right of use assets	11	(917,993)	–
Lease finance expense	11	(233,564)	–
Operating lease costs		–	(910,947)
Total property costs		1,015,832	318,273

6 STAFF COSTS

Number of employees

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

	2019 Headcount	2018 Headcount
Administrative staff	283	218

Employee costs

	2019 £	2018 (restated*) £
Gross costs	20,450,375	14,422,771
Less: categorised in direct costs	(1,794,200)	(1,271,466)
	18,656,175	13,151,305
Less: re-categorised as acquisition costs	(160,401)	–
Less: reported within internally generated software intangibles	(7,800,600)	(5,251,017)
	10,695,174	7,900,288

	2019 £	2018 (restated*) £
Wages and salaries	10,142,897	7,829,346
Social security costs	1,013,974	758,375
Pension costs	482,250	63,253
Less: categorised in direct costs	(1,794,036)	(1,271,466)
	9,845,085	7,379,508
Recruiting, training, and similar	850,089	520,780
	10,695,174	7,900,288

Refer to note 3.1

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In September 2019 staff contracts were re-negotiated. As a result, employee pension contributions are salary sacrificed, which results in the employee cost being treated as a pension cost rather than wages and salaries. This has resulted in the increase in pension costs in 2019.

Further information regarding share options is given in note 22.

7. COMPANY - DIRECTORS' REMUNERATION

	Gross Salary 2019 £	Bonus 2019 £	Employer Pension 2019 £	Total Remuneration 2019 £
Executive Directors				
I A I Strafford – Taylor	271,144	272,500	1,919	545,563
R Q M Cooper (appointed 14 October 2019)	55,128	–	–	55,128
Non-Executive Directors				
A Chowdhury	50,000	–	–	50,000
J Pearson	74,269	–	1,919	76,188
R M Head	55,000	–	–	55,000

	Gross Salary 2018 £	Bonus 2018 £	Employer Pension 2018 £	Total Remuneration 2018 £
Executive Directors				
I A I Strafford – Taylor	262,500	–	703	263,203
Non-Executive Directors				
A Chowdhury	40,000	–	–	40,000
J Pearson	60,000	–	703	60,703
R M Head	40,000	–	–	40,000

The total amount payable to executive Directors when including executive Directors of all the subsidiaries in the consolidated Group was £1,694,395 (2018: £964,318). This included pension payments of £10,511 (2018: £4,918). Further information regarding share options is given in note 22.

8. TAXATION

Group	2019 £	2018 (restated*) £
Current year R&D credit	(3,478,997)	(311,156)
Changes in tax estimates related to prior years	(25,000)	32,544
Changes in tax estimates in pre-acquisition accounts of businesses acquired during the year	(10,487)	384,966
Current tax (credit) / expense	(3,514,484)	106,354
Origination and reversal of temporary differences	868,016	(1,063,420)
Recognition of previously unrecognised deductible temporary differences	59,583	107,567
Deferred tax credit	927,599	(955,853)
Total tax credit	(2,586,885)	(849,499)

* *Refer to note 3.1*

Notes to the Consolidated Financial Statements
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Factors affecting tax credit for the year

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

	2019 £	2018 (restated*) £
(Loss) / profit before taxation: Continuing operations	(7,958,583)	1,768,167
Taxation at the UK corporation tax rate of 19.00% (2018: 19.00%)	(1,512,131)	335,952
Net permanent differences between tax and accounting	958,443	78,274
Tax losses for which no deferred tax asset utilised	16,669	(567)
Recognition of deferred tax on previously unrecognised temporary differences	–	1,109,588
Adjustments to tax liability in respect of previous accounting period	(10,487)	32,544
Recognition of deferred tax on previously unrecognised carry forward tax losses	–	(1,607,394)
Net impact of R&D tax credit claim	(2,073,962)	(797,896)
Adjustment for overprovision of tax liabilities in companies acquired during the year	(25,000)	–
Remeasure of deferred tax asset on carry forward losses	59,583	–
Total tax credit for the year	(2,586,885)	(849,499)

* *Refer to note 3.1*

Movement in deferred tax balances

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

Group	Net balance at 1 January £	Acquired in business combination £	Recognised to equity £	Recognised to profit or loss £	Balance at 31 December £	Deferred tax asset £	Deferred tax liability £
2018							
Intangibles	(791,499)	(199,308)	–	(770,085)	(1,760,892)	–	(1,760,892)
Property plant and equipment	–	(31,431)	–	(107,567)	(138,998)	717	(139,715)
Equity settled share based payments	511,912	–	549,508	10,215	1,071,635	1,071,635	–
Unutilised tax losses	–	–	–	1,607,394	1,607,394	1,607,394	–
Other	–	–	–	215,896	215,896	215,896	–
Deferred tax assets/ (liabilities)	(279,587)	(230,739)	549,508	955,853	995,035	2,895,642	(1,900,607)

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The standard rate of corporation tax applicable to the Group for the year ended 31 December 2019 was 19.0%. The rate in the year ending 31 December 2020 is expected to be 17.5% and the rate in subsequent years is expected to be 17.0%. During the year ended 31 December 2019 the Government announced plans to place the corporate tax reductions listed above on hold. However, legislation is yet to be substantially enacted.

The Group has estimated tax losses of £11,273,645 (2018: £9,268,652) available to carry-forward against future trading profits. The losses can be carried forward indefinitely and have no expiry date.

Assumptions and estimation uncertainties

The Group has recorded a £1,888,037 (2018: £1,607,394) deferred tax asset in relation to carried forward tax losses. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset is taken at such point the recovery is reasonably certain. The Group has concluded that the deferred assets will be recoverable using estimated future taxable income based on a five-year forecast horizon.

9. (LOSS) / EARNINGS PER SHARE

Basic earnings per share

The calculation of basic profit or loss per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The loss after tax attributable to ordinary shareholders of the Group is £5,342,074 (2018 profit: £2,617,666) and the weighted average number of shares in issue for the period is 167,096,081 (2018: 155,368,259).

Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The weighted average number of dilutive shares is 171,327,405 (2018: 159,916,115).

10. PROPERTY, PLANT AND EQUIPMENT

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

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Group	Plant and machinery £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
At 1 January 2018	386,160	26,644	39,651	452,455
Additions	205,677	120,427	344,723	670,827
Acquisitions through business combinations	144,878	–	188,664	333,542
At 31 December 2018	736,715	147,071	573,038	1,456,824
Depreciation				
At 1 January 2018	284,906	14,180	15,789	314,875
Charge for the year	142,365	6,156	51,602	200,123
At 31 December 2018	427,271	20,336	67,391	514,998
Net book value				
At 31 December 2018	309,444	126,735	505,647	941,826

11. LEASES

(i) Measurement of Group lease liabilities

	2019 £
Operating lease commitments as disclosed at 31 December 2018 under IAS 17 *Leases*	4,107,112
Operating lease commitments later than five years, if extension options are exercised	4,858,639
Total operating lease commitments under IAS 17 *Leases*, including extension options	8,965,751
Discounted using the lessees' incremental borrowing rate at the date of initial application*	7,524,124
Of which are:	
Not later than one year	546,168
Later than one year, including the extension periods	6,977,956

* *The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.06%.*

There was no lease liability recognised in the Statement of Financial Position immediately prior to adoption of IFRS 16 *Leases*.

(ii) Measurement of Group right of use assets

The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 CONTINUED

(iii) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

	1 Jan 2019 £
Right of use assets	7,494,970
Deferred tax assets	–
Prepayments	(49,546)
Accruals	78,700
Lease liabilities	(7,524,124)
Retained earnings	–

(iv) Amounts recognised in the consolidated statement of financial position

This note provides information for leases where the Group is a lessee. The Group does not have any leases where it acts as a lessor.

Group

Right of use assets	Vehicles £	Property £	Total £
At 1 January 2019	93,017	7,401,953	7,494,970
Additions to right of use assets	–	1,007,981	1,007,981
Termination of right of use assets*	–	(636,082)	(636,082)
Depreciation charge for the year	(39,642)	(878,351)	(917,993)
At 31 December 2019	53,375	6,895,501	6,948,876

Lease liabilities	Total £
At 1 January 2019	7,524,124
Additions to lease liabilities	999,487
Termination of lease liabilities*	(636,082)
Lease finance expenses	228,438
Lease termination expense	5,126
Payments	(877,887)
At 31 December 2019	7,243,206
Current lease liabilities	811,628
Non-current lease liabilities	6,431,578
	7,243,206

* Termination of right of use assets and lease liabilities relates to a property lease which ended during the year.

	£
Net lease liability	(294,330)

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

Group

	Property £	Vehicles £	Total 2019 £	Total 2018 £
Depreciation charge for right of use assets	878,351	39,642	917,993	–
Lease finance expenses	225,731	2,707	228,438	–
Lease termination expense	5,126	–	5,126	–
Expense relating to short–term leases	67,201	–	67,201	–
Expense relating to leases of low–value assets	66,310	–	66,310	–
	1,242,719	42,349	1,285,068	–

Included within expenses relating to low value assets, which are below the de minimis level, are amounts relating to IT equipment (printer and photocopiers etc) and property costs (fridges, microwaves etc). Expense relating to short-term lease relates to the Aldgate office which was vacated in the year. The total cash outflow for leases in 2019 was £877,350 including for principal and interest.

12. INTANGIBLE ASSETS AND GOODWILL

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

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Group	Goodwill £	Trademarks, licences, patented and non-patented technology £	Customer relationships £	Brands £	Under construction £	Total £
Cost						
At 1 January 2018	12,962,509	2,676,979	1,794,000	293,000	143,757	17,870,245
Reclassifications	–	143,757	–	–	(143,757)	–
Additions	–	4,711,006	–	–	1,047,951	5,758,957
Acquisitions through business combinations	3,897,437	796,000	163,000	162,000	–	5,018,437
At 31 December 2018	16,859,946	8,327,742	1,957,000	455,000	1,047,951	28,647,639
Amortisation						
At 1 January 2018	–	101,917	99,667	19,533	–	221,117
Charge for the year	–	918,956	314,093	85,600	–	1,318,649
At 31 December 2018	–	1,020,873	413,760	105,133	–	1,539,766
Net book value						
At 31 December 2018	16,859,946	7,306,869	1,543,240	349,867	1,047,951	27,107,873

* The impairment charge relates to the Banking CGU. See page 72 for further details.

Included within additions to 'assets under construction' and 'trademarks, licenses, patented and non-patented technology' is £8,306,757 (2018: £5,251,017) for internally generated software. The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period. IAS 36 *Impairment of Assets* requires that intangible assets that are not available for use are required to be tested for impairment at least on an annual basis. The balance at reporting date relates to additions made during the reporting period, which will be tested annually for impairment during the 2020 calendar year.

Goodwill

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

- Banking
- International Payments (including businesses of Hermex, Eiger and Casco)
- Travel Cash

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

The recoverable amount of the banking CGU is determined as the higher of fair value less cost of disposal and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the forecast period.

Management estimates discount rates using pre-tax rate that reflects the current market assessment of the time value of money and the specific risks associated with the asset for which the future cash flow estimates have not been adjusted. The rate used to discount the forecast cash flows are based upon the CGU's weighted average cost of capital (WACC). The WACC for the CGUs were Banking: 13.82% (2018: 16.07%), International Payments: 12.38% (2018: 16.05%) and Travel cash: 9.96% (2018: 16.12%).

The Group prepared cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. For the purpose of the value in use calculation the management forecasts were extrapolated into perpetuity using growth rate of 2% (2018: 2.2%), representing the expected long-run rate of inflation in the UK. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

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

Group	2019	2018
Decrease (increase) in revenue		
Banking	(6.62%)	7.7%
International Payments	31.81%	53.8%
Travel Cash	15.15%	51.9%

Group	2019	2018
Decrease (increase) in discount rate (WACC)		
Banking	(3.05%)	17.7%
International Payments	42.92%	63.5%
Travel Cash	9.99%	62.5%

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

Based on the management forecasts and the assumptions the Value in use of the Banking was calculated to be £13,205,639 whilst the carrying amount was £18,064,537. A deficit of £4,858,898 was recognised in the Consolidated Statement of Comprehensive Income for the year.

13. INVESTMENTS

Company – Shares in subsidiary undertakings	2019 £	2018 £
Cost	38,725,451	29,455,134
Additions	166,609	9,270,317
At 31 December	38,892,060	38,725,451
Net Book Value		
At 31 December	38,892,060	38,725,451

In the opinion of the Directors the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the statement of financial position.

Notes to the Consolidated Financial Statements
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Subsidiary undertakings of more than 20%
The Company holds the share capital (both directly and indirectly) of the following companies:

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

* Share capital held indirectly

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

Investment in subsidiaries
See accounting policies in note 3.2.

14. ACQUISITIONS

A. Acquisition of Casco Financial Services Limited (renamed to Equals Connect Limited)
On 18 November 2019, FairFX PLC, a fully owned subsidiary of the Group, acquired the entire issued ordinary share capital of Casco Financial Services Limited ("Casco"), a UK based payment services provider. Casco, which is regulated by the FCA as an Authorised Payment Institution (API), was established in 2010 and has historically focused on the provision of international payments, primarily for corporate clients. The initial consideration for the acquisition is £1,725,000 with a potential additional consideration of £510,626 depending on future performance.

The Group split Casco's business into 'Core' (meaning Company staff have the relationship with the customer) and 'White Label' (being White Label customers). The 'White Label' service is allowing fledgling International Payments businesses to utilise Casco's platform and FCA authorisations, reducing compliance and administration costs. On acquisition, the Group transferred the Core clients into FairFX PLC and the White Label business was renamed as "Equals Connect Limited", which will provide "Infrastructure & Services Provision" to the FX sector.

There were a series of transactions that took place before and at the date of acquisition that had a significant impact on the acquisition accounting. The share capital of Casco consisted of 100 Ordinary shares, which were consequently reclassified into 93 A Ordinary and 7 B Ordinary shares. On 18 November 2019, 93 C shares were issued, giving a total number of 193 allotted shares. As a result of the changes in the share capital structure, the Group acquired 93 A Ordinary and 7 B Ordinary shares, consequently acquiring all of the voting rights and 51.81% of the economic interests, with the remaining proportion being held by the vendors through the C shares held.

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For the period post acquisition to 31 December 2019, Equals Connect Limited contributed revenue of £457,619 and net loss of £59,323 to the Group's results. If the acquisition occurred on the 1 January 2019 revenue of £3,878,290 and profit before tax of £32,974 would have been contributed to the Group's results.

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

	£
Cash	1,356,000
Share issue of 377,666 ordinary shares of Equals on valuation date and B shares of £49,000	369,000
Contingent consideration	510,626
Total consideration transferred	2,235,626

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

	£
Intangibles – customer relationships	1,051,000
Intangibles – technology	334,891
Property, plant and equipment	8,497
Cash	9,473
Trade and other receivables	600,432
Trade and other payables	(602,280)
Deferred tax liabilities	(191,988)
Non-controlling interest	(148,451)
Total identifiable new assets acquired	1,061,574

Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £191,988 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows:

	£
Consideration transferred	2,235,626
Fair value of identifiable net assets	1,061,574
Goodwill	1,174,052

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

B. Acquisition of assets from Hermex International Limited

On 8 August 2019, FairFX PLC, a fully owned subsidiary of the Group, acquired a book of international payments business from Hermex International Limited, a London-based company operating in the foreign currency exchange and payments services industry, for total consideration of £2,000,000. Together with the trading assets, the Group also acquired a workforce of 17 staff under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE").

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

The initial consideration payable was £1,700,000, satisfied by £700,000 payable in cash to the seller and £1,000,000 payable in cash to the Company for the issue of 851,063 new ordinary shares of 1p each in the Company ("subscription shares") at an issue price of £1.175 per share. The subscription shares were issued to a former director and shareholder in Hermex International Limited

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who concurrently joined the Group as an employee. The shares are subject to a two-year lock-in period followed by an orderly market provision. However, they are not subject to continuing employment with the Group therefore the subscription price was considered to be a cost of the business combination. A further retention payment of £300,000 was paid in cash in February 2020.

The acquisition of Hermex contributed £922,838 of revenue and £473,866 of profit before tax to the Group since its acquisition.

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

	£
Initial payment - cash	1,700,000
Deferred retention payment - cash	300,000
Total consideration transferred	2,000,000

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

	£
Intangibles – customer relationships	801,000
Derivative financial assets	432,000
Derivative financial liabilities	(270,001)
Deferred tax liabilities	(137,695)
Total identifiable new assets acquired	825,304

Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £137,695 was recognised as a result of the identified intangible asset.

Goodwill arising from the acquisition has been recognised as follows:

	£
Consideration transferred	2,000,000
Fair value of identifiable net assets	825,304
Goodwill	1,174,696

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

C. Acquisition of assets from Eiger Foreign Exchange Limited

On 25 March 2019, City Forex Limited, a fully owned subsidiary of the Group, acquired assets (comprising primarily of a book of international payments customers) from Eiger Foreign Exchange Limited. Together with the trading assets, the Group also acquired a workforce of 2 staff under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE").

When assessing whether the transaction was a business combination under IFRS 3, the Group applied the concentration test under Definition of a Business (Amendments to IFRS 3) that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The transaction was determined to meet the concentration test as substantially all of the fair value of the gross assets acquired were concentrated in the customer relationships acquired. As such, the consideration transferred was recognised as an addition to the customer relationships intangible assets class.

The initial completion consideration payable for the acquisition was £200,000 payable in cash. A retention payment of £25,000 was also paid in cash and held in a retention account until September 2019, before being released to the seller. Further deferred consideration of £32,023 was paid in cash in October 2019 relating to the sellers share of relevant profits to 30 September 2019 (earn-out-period).

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

	£
Cash	257,023
Total consideration transferred	257,023

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

	£
Intangibles – customer relationships	257,023
Total identifiable new assets acquired	257,023

The accounting base of the assets acquired are equal to their tax bases, therefore no deferred tax assets or liabilities have been recognised.

D. Acquisition of City Forex Limited

On 20 February 2018, the Group acquired the entire ordinary share capital of City Forex Limited. The acquisition has been immediately earnings enhancing and enables the Group to extract increasing economies of scale and cross selling opportunities whilst adding product innovation. By combining the existing FairFX platform with innovative proprietary systems owned by City Forex Limited, the Group has been able to yield further automation efficiencies as well as enable further capacity for growth.

The initial consideration payable for the acquisition was £6,000,000 payable in cash. Further adjusted consideration after working capital adjustments of £3,216,552 was paid in cash. For the period post acquisition to 31 December 2018, City Forex Limited contributed revenue of £4,714,023 and profit before tax of £929,712 to the Group's results. If the acquisition occurred on the 1 January 2018 revenue of £5,322,531 and profit before tax of £946,801 would have been contributed to the Group's results.

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

	£
Cash	6,000,000
Further consideration	3,216,552
Total consideration transferred	9,216,552

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

	£
Intangibles	1,121,000
Property, plant and equipment	333,542
Trade and other receivables	1,819,769
Cash	2,652,718
Trade and other payables	(377,175)
Deferred tax liabilities	(230,739)
Total identifiable new assets acquired	5,319,115

Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax liability of £230,739 was recognised as a result of the identified intangible asset. Goodwill arising from the acquisition has been recognised as follows:

	£
Consideration transferred	9,216,552
Fair value of identifiable net assets	5,319,115
Goodwill	3,897,437

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

15. INVENTORIES

Group	2019 £	2018 £
Finished goods	263,971	286,713

The Group's inventories comprise of stock of cards. Included within cost of sales is a charge of £364,893 (2018: £406,236) relating to stock.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade receivables	1,755,650	1,800,453	–	–
Amounts due from Group undertakings	–	–	20,138,017	4,905,334
Other receivables	3,869,073	2,205,796	–	–
Research and development tax credit	2,534,873	1,260,707	–	–
Accrued income	1,722,638	1,322,344	–	–
Prepayments	1,465,515	561,450	–	2,370
	11,347,749	7,150,750	20,138,017	4,907,704

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 21.2.

Prepayments and accrued income have increased as result of an increase in revenue. Amounts owed by group undertaking are unsecured, non-interest bearing and repayable on demand.

17. CASH AND CASH EQUIVALENTS

Group	2019 £	2018 £
Cash at bank	11,265,266	7,860,368

18. SHARE CAPITAL

Group and Company	2019 £	2018 £
Authorised, issued and fully paid up capital		
178,602,918 (2018: 155,368,259) ordinary shares of £0.01 each	1,786,029	1,553,682

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Under the principles of reverse acquisition accounting, the Group is presented as if Equals Group PLC had always owned the FairFX (UK) Limited Group. The comparative and current period consolidated reserves of the Group are adjusted to reflect the statutory share capital and merger reserve of Equals Group PLC as if it had always existed. During the year, the company made the following share issue:

Date of issue	No. shares issued	Price per share	Gross value of shares issued	Nominal value of shares issued	Share Premium	Cost of share issues	Retained earnings	Contingent consideration reserve
27/03/2019	7,500,000	£0.27	£2,025,000	£75,000	£1,950,000	–	–	–
17/05/2019	1,149,424	£0.43	£499,999	£11,494	£486,261	£2,244	£163,927	£336,072
30/05/2019	300,000	£0.36	£109,320	£3,000	£102,120	£4,200	–	–
14/08/2019	33,333	£0.30	£9,916	£333	£9,583	–	–	–
14/08/2019	851,063	£1.18	£999,999	£8,511	£991,488	–	–	–
20/08/2019	12,727,000	£1.10	£13,999,700	£127,270	£13,047,125	£825,305	–	–
05/09/2019	246,173	£1.10	£270,790	£2,462	£228,382	£39,949	–	–
19/11/2019	377,666	£0.84	£318,750	£3,777	£314,973	–	–	–
05/12/2019	50,000	£0.30	£14,875	£500	£14,375	–	–	–
	23,234,659		£18,248,349	£232,347	£17,144,307	£871,698	£163,927	£336,072

In accordance with IAS 32 *Financial Instruments: Presentation*, costs incurred which are directly applicable to the raising of finance, are offset against the share premium created upon the share issue. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	5,470,931	3,840,175	214,492	125,467
Amounts owing to Group undertakings	–	–	1,371,544	1,355,524
Taxation and social security	690,517	529,980	–	–
Accruals and deferred income	1,785,916	1,172,683	374,000	141,000
Deferred research and development tax credit	–	1,136,293	–	–
	7,947,364	6,679,131	1,960,036	1,621,991

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current	7,947,364	6,679,131	1,960,036	1,621,991

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

20. DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Derivative financial assets
Financial assets at fair value through profit or loss

Group	Fair Value 2019 £	Notional Principal 2019 £	Fair Value 2018 £	Notional Principal 2018 £
Foreign exchange forward contracts	4,560,780	102,026,342	1,181,892	41,462,875
Total financial instruments at fair value	4,560,780	102,026,342	1,181,892	41,462,875

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

Group	Fair Value 2019 £	Notional Principal 2019 £	Fair Value 2018 £	Notional Principal 2018 £
Foreign exchange forward contracts	4,188,394	100,830,215	578,956	41,105,776
Total financial instruments at fair value	4,188,394	100,830,215	578,956	41,105,776

21. FINANCIAL INSTRUMENTS

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

21.1 Principal financial instruments

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

Group	2019 £	2018 £
Financial instruments held at amortised cost		
Cash and cash equivalents	11,265,266	7,860,368
Trade and other receivables	11,347,749	7,150,750
Trade and other payables	(7,947,364)	(6,679,131)
Lease liabilities	(7,243,206)	–

	2019 £	2018 £
Financial instruments held at fair value through profit or loss		
Derivative financial assets – Forward foreign exchange contracts	4,560,780	1,181,892
Derivative financial liabilities – Forward foreign exchange contracts	(4,188,394)	(578,956)

Trade and other payables generally have a maturity of less than one month.

Forward foreign exchange contracts fall into level 2 of the fair value hierarchy as set out in note 3.25 since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). In 2019, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a loss of £173,011 (2018: gain of £10,914). This was reported in administration costs in the statement of comprehensive income.

21.2 Financial risk management objectives and policies

Credit risk

As required under IFRS 9, the Group analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Group has significant short-term receivables and security collateral arrangements with bank and other financial institutions and financial service providers; which have either settled post balance sheet date or are considered negligible due to the financial strength of the counterparty. As such the impact of expected credit losses under IFRS 9 have been assessed as minimal.

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

2019 Group	On demand £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables	11,347,749	–	–	–	11,347,749
Derivative financial assets	584,684	803,948	3,172,148	–	4,560,780

2018 Group	On demand £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other receivables	7,150,750	–	–	–	7,150,750
Derivative financial assets	219,991	341,492	620,409	–	1,181,892

Liquidity risk

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows and available cash balances. The daily settlement flows in respect of financial asset and liability, spot and swap contracts require adequate liquidity which is provided through intra-day settlement facilities. Further details of the risk management objectives and policies are disclosed in the principal risks and uncertainties section of the Strategic Report.

The table below analyses the Group's gross undiscounted financial liabilities by their contractual maturity date.

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

2018 Group	On demand and within 1 month £	Between 1 and 3 months £	Between 3 and 12 months £	Over 1 year £	Total £
Trade and other payables	6,679,131	–	–	–	6,679,131
Derivative financial liabilities	102,115	297,485	179,356	–	578,956

Market risk

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

Interest rate risk

The Group is subject to interest rate risk as its bank balances are subject to interest at a floating rate. The Group has no other borrowings so is not materially affected by changes in interest rates.

Foreign currency risk

Foreign currency risk arises from having assets and liabilities in currencies other than sterling. The Group's balance sheet includes foreign currency balances placed with card issuers and foreign currency settlement partners. The sterling equivalent of foreign currency balances with card providers at year end was £562,671 (2018: £530,677), which is primarily made up of USD and EUR. The Group's foreign currency (FX) collateral with FX settlement partners is immaterial as collateral is primarily settled in sterling.

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

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Financial instruments and fair value risk

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

31 December 2019	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets			
Cash and cash equivalents	11,265,266	–	11,265,266
Trade and other receivables	11,347,749	–	11,347,749
Derivative financial assets	–	4,560,780	4,560,780
	22,613,015	4,560,780	27,173,795
Financial liabilities			
Trade and other payables	7,947,364	–	7,947,364
Lease liabilities	7,243,206	–	7,243,206
Derivative financial liabilities	–	4,188,394	4,188,394
	15,199,570	4,188,394	19,378,964

31 December 2018	Measured at amortised cost £	Measured at fair value £	Total £
Financial assets			
Cash and cash equivalents	7,860,368	–	7,860,368
Trade and other receivables	7,150,750	–	7,150,750
Derivative financial assets	–	1,181,892	1,181,892
	15,011,118	1,181,892	16,193,010
Financial liabilities			
Trade and other payables	6,679,131	–	6,679,131
Derivative financial liabilities		578,956	578,956
	6,679,131	578,956	7,258,087

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

Capital management policy and procedures

The Group's capital management objectives are:

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

The Company is subject to the following externally imposed capital requirements:

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

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

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

The Group has complied with these requirements.

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22. SHARE OPTIONS

The Group issues equity-settled share-based payments to certain Directors and employees. Equity-settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value of options granted has been calculated with reference to the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

During the year ended 31 December 2019, there were a number of share based payment transactions within the Group.

Date Granted	Exercise price (£)	At 1 January 2019 Number	Granted during year Number	Exercised during year Number	At 31 December 2019 Number
22/07/2014	0.07	200,000	–	–	200,000
22/07/2014	0.22	447,750	–	–	447,750
22/07/2014	0.36	4,063,939	–	(300,000)	3,763,939
22/07/2014	0.58	120,000	–	–	120,000
22/07/2014	1.16	120,000	–	–	120,000
22/07/2014	1.74	120,000	–	–	120,000
28/09/2016	0.30	461,111	–	(27,778)	433,333
28/09/2016	0.30	461,111	–	(27,778)	433,333
28/09/2016	0.30	461,111	–	(27,778)	433,333
01/12/2016	0.27	100,000	–	–	100,000
01/12/2016	0.27	100,000	–	–	100,000
01/12/2016	0.27	100,000	–	–	100,000
18/01/2017	0.44	16,667	–	–	16,667
18/01/2017	0.44	16,667	–	–	16,667
18/01/2017	0.44	16,667	–	–	16,667
26/09/2019	0.36	–	50,000	–	50,000
28/09/2019	1.01	–	416,667	–	416,667
28/09/2019	1.01	–	416,667	–	416,667
28/09/2019	1.01	–	416,667	–	416,667
14/10/2019	1.01	–	166,667	–	166,667
14/10/2019	1.01	–	166,667	–	166,667
14/10/2019	1.01	–	166,667	–	166,667
Total number of options		6,805,023	1,800,002	(383,334)	8,221,691
Executive directors		4,268,000	1,250,000	–	5,518,000
Non-Executive directors		882,222	–	–	882,222
Employees		1,654,801	550,002	(383,334)	1,821,469
		6,805,023	1,800,002	(383,334)	8,221,691

The above share options issued in Equals Group PLC have been granted to both Directors and employees of the Group. At 31 December 2019, there were unexercised share options amounting to 4.60% (2018: 4.38%) of the Company's total issued shares. Of the above options 6,400,222 (2018: 5,150,222) have been granted to Directors of the Company (see Directors' remuneration report), with an additional 1,271,467 (2018: 1,504,800) having been granted to an individual who is Director of a wholly owned subsidiary within the Group.

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Weighted average exercise price of options

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

	Weighted average exercise price 2019	Number of options 2019	Weighted average exercise price 2018	Number of options 2018
Outstanding at the beginning of the year	0.3709	6,805,023	0.3709	6,805,023
Granted during the year	0.9930	1,800,002	–	–
Exercised during the year	0.3499	(383,334)	–	–
Outstanding at the end of the year	0.5081	8,221,691	0.3709	6,805,023
Exercisable at the end of the year	0.3707	6,788,356	0.3709	6,671,689

The weighted average share price for the year was £1.03 (2018: £1.10).

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant. Details of the inputs made into that model are disclosed in the table below.

	At 1 January 2019	Granted during year
Expected volatility	34.5%	31.2% a
Expected option life in years	4	9.5
Risk-free rate	0.10%	0.10%
Expected dividends	none	none
Fair value of the options granted (£)	variable	variable b

a. Expected volatility has been determined on the share price from date of admission up to 31 December in the year the options were granted.

b. A summary of the fair value of the options granted is summarised in the table below. If the fair value of the option was deemed to be nil it is marked accordingly.

	Exercise price (£)	Fair Value (£)
22/07/2014	0.07	0.28
22/07/2014	0.22	0.20
22/07/2014	0.36	0.12
22/07/2014	0.58	–
22/07/2014	1.16	–
22/07/2014	1.74	–
28/09/2016	0.30	0.13
01/12/2016	0.27	0.11
18/01/2017	0.44	0.20
26/09/2019	1.01	0.39
14/10/2019	1.01	0.31

The charge expensed to the statement of comprehensive income is £122,609 (2018: £53,765). During the year the Group recognised a £521,339 decrease (2018: £559,723 increase) in deferred tax assets in relation to unexercised share options. Of this amount £4,141 was recognised in the current year's tax credit (2018: £10,215 tax credit) and £525,480 (2018: £549,508) was recognised to equity.

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23. FINANCIAL COMMITMENTS

The Group leases various offices and vehicles under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. From 1 January 2019, the Group has recognised right of use assets and a lease liability for these leases, except for short term and low-value leases (see note 3.22 and note 11 for further information). The Group has the following annual commitments for minimum lease payments under the non-cancellable operating leases:

	Land and buildings	
	2019	2018
	£	£
Not later than one year	998,371	680,951
Later than one year and not later than five years	2,557,376	3,328,458
	3,555,747	4,009,409

	Vehicles	
	2019	2018
	£	£
Not later than one year	42,367	41,674
Later than one year and not later than five years	14,721	56,029
	57,088	97,703

24. RELATED PARTY TRANSACTIONS

Key management personnel

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

	2019	2018
	£	£
Salaries, fees and other short-term employee benefits	2,182,733	2,049,287

25. ULTIMATE CONTROLLING PARTY

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

26. POST BALANCE SHEET EVENTS

The Group completed a corporate restructure on the 1 January 2020, resulting in the liquidation of various non-essential wholly owned subsidiaries and some changes in the ownership of the remaining subsidiaries. The purpose of the restructure was to yield administrative and accounting efficiencies and provide a more transparent structure for both customers and supply chains.

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Group has undoubtedly been impacted by this situation but is confident that it is positioned well (see Chairman's statement on page 6 and risk report on pages 29-30). Covid-19 is a non-adjusting post balance sheet event.

On 26 June, a supplier to the Group, Wirecard Card Services ('WDCS') had its licences suspended by the FCA. WDCS is one of three options the Group has for issuance of prepaid cards. This suspension does not affect the Group's B2B activities and disruption is mainly limited to B2C travel cards. The financial impact to the Group is limited in terms of currently anticipated results for 2020 and the Group has contingency plans in place should the situation at WDCS persist.

5 year trading history

Additional unaudited information

	2015	2016	2017	2018	2019
	m	m	m	m	m
Turnover	627	798	1,122	2,369	2,887
Revenue	8	10.1	15.5	26.1	30.9
Gross Profit	-3.4	-1.4	11.9	17.7	20.6
PAT	-3.4	-1.4	0.4	2.7	-5.4
Cash	3.6	8.5	17.8	7.8	11.3

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