EQUALS GROUP PLC ANNUAL REPORT 2021

Annual Report 2021

EQUALS
Group

Equals Group PLC

Contents

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Equals Group PLC

About Equals Group

Equals develops and sells scalable payment platforms to enable organisations to move and easily manage their money flows through its payment and card products.

Its core brands are:

Equals Money – an international, domestic and card payment platform comprising the "Spend" and "Pay" products for 'just-in-time" expenditure needs of our customers who range from Hollywood studios to dynamic start-ups and fast growing businesses.

Equals Money Solutions – an enterprise scale-up of the Equals Money platform serving large corporates and financial institutions with complex payments needs.

Equals Connect - a white label platform serving smaller FX providers.

FairFX – a travel card and international payment product covering the needs of high-net-worth individuals, international holidaymakers, and their families.

CardOneMoney - UK focused product to meet the needs of small business and individuals for everyday account processes, allowing them to run their payments, direct debits, and cards via their account.

EQUALS Money   FairFX   card one money

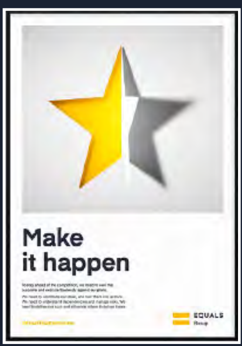
Equals Group PLC (the "Company") is a public limited liability company incorporated in England and Wales and domiciled in the UK whose shares are admitted to AIM, a market operated by The London Stock Exchange.

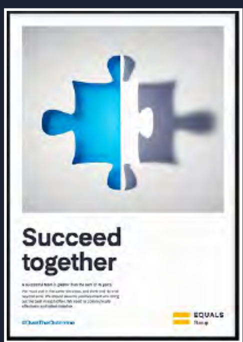
In addition to be regulated on AIM, various group companies are regulated by FCA and HMRC . Through one group company, the Group has access to real-time settlement accounts with the Bank of England and is a member of the UK Faster Payments Scheme, meaning customers can transfer and receive funds with immediate effect.

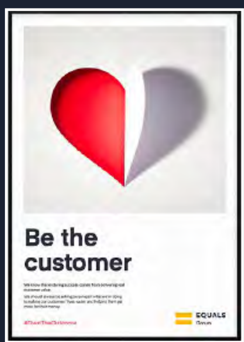
The European Payments Council has accepted a group company to belong to "SEPA" – the "instant" fund transfer mechanism for the Euro zone. Membership of SEPA allows Equals customers to receive instant Euro credits to their own-name multi-currency IBAN and instantly send Euro payments to other SEPA scheme members. These connections, complimented with SWIFT, allow the group to provide a true multi-currency account to its customers.

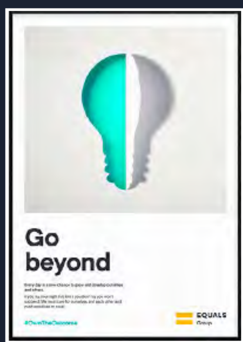
These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). They were approved by the Board after stock market trading hours on 29 March 2022.

Our Values:









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

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

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

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

Directors and Advisors

Directors

A R F HUGHES
(Non-Executive Director and Chair)

I A I STRAFFORD–TAYLOR
(Chief Executive Officer)

R Q M COOPER
(Chief Financial Officer)

S A HERBERT
(Non-Executive Director and Chair of Audit and Risk Committee)

C J BONES
(Non-Executive Director and Chair of Remuneration Committee; appointed 9 April 2021)

Company Secretary

ONE ADVISORY LIMITED
(appointed 1 August 2021)

Advisors

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Independent Auditors
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London, EC3A 7BA,
England

Nominated Advisor and Broker
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Investor Relations
Buchannan Communications Limited
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Registrar
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Financial summary and highlights

FY-2021 Financial Summary

	FY-2021 £ millions	FY-2020 £ millions	Change*
Underlying transaction values			
- FX	4,352	2,672	+63%
- Banking	1,331	821	+62%
- Solutions Platform	846	–	
- Total	6,529	3,493	+87%
Revenue	**44.1**	**29.0**	**+52%**
% of revenue from B2B	81%	70%	
Gross profits	24.0	18.3	+31%
Adjusted EBITDA	**6.7**	**1.1**	
EBITDA	5.7	(2.0)	
Loss after taxation	(2.3)	(6.9)	

**based on underlying, not rounded, figures.*

FY-2021 Financial Highlights

- Total Revenue increased by 52% to £44.1 million (FY-2020: £29.0 million), supported by:
    - ✧ Like for like transactional values increasing by 63% to £5.7 billion (FY-2020: £3.5 billion)
    - ✧ Immediate success in the Solutions Platform which contributed £0.8 billion in transaction values and £3.6 million in revenues
- Gross profits increased 31% to £24.0 million (FY-2020: £18.3 million)
- Cash-based expenditure fell a further 7% (£1.6 million) to £21.2 million (FY-2020: £22.8 million)
- Adjusted EBITDA** increased to £6.7 million (FY-2020: £1.1 million)
- Year-end cash increased 31% to £13.1 million (FY-2020: £10.0 million)

FY-2021 operational and product highlights

- Focus on B2B and non travel-related revenue streams successfully continued
    - ✧ Business customer revenue increased to represent 81% of total revenues (FY-2020: 70%)
    - ✧ Non-travel revenue represented 94% of the total, up from 91% in FY-2020
- Group continuing to attract larger corporates: won a significant mandate to transact a single but complex trade yielding £1.5 million of revenue and £0.8 million of gross profits
- 'Own-name' multi-currency IBAN launched mid-year
- Improved sales and data focus through both staff hires and CRM; a significant contributor to increased revenues
- R&D continued throughout the year, with further technical developments including 'Confirmation of Payee' and Linked cards
- Operational improvements through greater reconciliation automation and client onboarding

History

February 2022	Joins Single Euro Payment (SEPA) Network
May 2021	Launch of capability to offer own name Multi-Currency IBAN
October 2020	Acquisition of Effective FX
November 2019	Acquisition of Casco Financial Services Limited
September 2019	New five-year agreement with Mastercard
August / September 2019	Capital raise and share placing for acquisitions, raising £14.5m net of expenses for expansion
August 2019	Acquisition of Hermex FX
July 2019	Banking partnership with Citi Commercial Bank
June 2019	Rebrands group as Equals
February 2019	Becomes part of Bank of England's Faster Payments Scheme
2018	Partnership with US bank Metropolitan Commercial Bank
February 2018	Acquisition of City Forex
August 2017	Acquisition of CardOneBanking
January 2017	e-Money licence obtained via acquisition of Q-Money
2014	IPO on AIM
2013	Customer milestone, over 500,000 registered customers
2012	Launch of expense platform
2010	Launch of international payments platform
2007	Foundation of travel cash business

Strategic report

Chairman's statement

I am pleased to report a record year for your company with like for like transactions facilitated increasing by 63% to £5.7 billion and revenues increasing 52% to £44.1 million.

The growth in services to businesses is the source of this. Developments in the Group's platform continued apace, including the ability to offer customers direct links with all major international payments schemes.

Today Equals offers customers bank-level fast and simple access to their payments combined with the benefit of a tailored and highly competitive FX service. Additionally, the hard work of our people to protect and streamline the business during 2020 meant we entered 2021 with a more efficient and more scalable operation. Benefits of these technological developments, and the closer links we've established into international payments platforms, are evident in our current trading.

In 2021 the Group broadened its offer with its "Solutions" product, a configurable service for larger businesses. Revenues from this product started well with £1.7 million in the final calendar quarter alone. A testament to these broader capabilities of the Group, the tenacity and skill of our staff, and the rigorous client onboarding procedures, was a highly complex FX trade of £114 million, alone yielding £1.5 million of revenue.

All this marks a significant change in capabilities and custom of Equals, proving the value and the potential of Group's strategic shift and development since 2019.

BOARD

With an eye to this potential, the board was further enhanced by the appointment, on 9 April 2021, of Professor Christopher Bones who previously held senior executive positions at Diageo and Cadbury and as the Dean of Henley Business School. He co-founded Good Growth Ltd, a successful e-commerce consulting business whose clients include Kraft Heinz, WHSmith, Pets at Home, ITV, Boohoo, and Channel 4. Chris adds particular value to the sales and marketing functions at Equals and chairs the Group's Remuneration Committee.

ESG

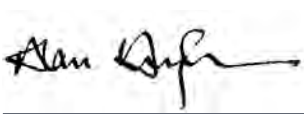
The Group has a diverse workforce and remains highly conscious of its role as a responsible employer. Our office-based service business, has a low environmental footprint, but we remain mindful of improvements that can be made. Like others, in the last two years we've learnt the value of flexible remote working, for employees and for the Group. We have produced an environmental, social and governance ("ESG") report which details the Group's values and progress.

PEOPLE

Noting the demand for good people and our desire to retain the excellent ones we have; the Group reviewed its remuneration policies for all grades of employees and concluded that longer-term incentives were appropriate. We implemented: an HMRC approved all-employee share scheme; a key staff share option scheme and an Executive Directors share option scheme. All these schemes cannot pay-out for over four years, linking rewards with financial success. Full details of these schemes are described in the Report of the Remuneration Committee and the key documents are available for review on our website, Equalsplc.com.

The Board is grateful to, and appreciative of, our staff and executive team for the considerable progress of the Group.

Finally, I feel I must add that the Group has no physical footprint in Russia or Ukraine and minimal historic trade with entities in both countries.



ALAN HUGHES
Chairman

29 March 2022

Chief Executive Officer's Report

2021

Management's objective for 2021 were to significantly increase both the quantum and mix of revenues from B2B customers and products. We achieved both by building on the payments infrastructure and connectivity already assembled, and further enhanced this by providing customers with 'own-name multi-currency IBAN' accounts. Concurrently, the Group expanded and refined its sales processes and go-to-market strategy.

SUMMARY OF FINANCIAL PERFORMANCE

I am delighted to report that:

- Like for like transactions executed on the Group's platforms rose 63% to £5.7 billion (FY-2020: £3.5 billion)
- Transactions from our new Solutions Platform were £0.8 billion from a standing start (FY-2020: Nil)
- Revenue rose 52% to £44.1 million, with £15.3 million in Q4-2021 alone
- Adjusted EBITDA rose from £1.1 million to £6.7 million
- Year-end cash closed at £13.1 million (FY-2020: £10.0 million)

A full financial analysis is presented in the Chief Financial Officer's Report which follows this statement.

COVID-19

2021 saw the world continue to struggle through Covid variants and lockdowns. Despite this, the Group achieved rapid growth, benefiting from measures taken in 2020 to focus the Group on a B2B customer base and thereby reducing any reliance on the legacy B2C travel-related products. In addition, the lessons learned in 2020 in terms of hybrid working meant that the Group could operate efficiently throughout the year during the various phases of the pandemic.

MARKETPLACE AND COMPETITIVE LANDSCAPE

The global payments market is a complex space and can be measured in many trillions of pounds, comprising all the various payment mechanisms from cash, cards, account-to-account transfers, and other methodologies across physical, internet and mobile interfaces. Against this background, the Group remains somewhat unique in that it spans both account-to-account transfers and cards, overlaid on infrastructure providing bank-grade connectivity and security on superior customer interfaces. The flexibility in the payment methodology that the Group can support from one unified platform is increasingly vital to business customers, for example many e-commerce businesses only accept card payments whereas other companies may typically only accept bank transfers.

Within the vast payments market, the Group remains strongly focused on the B2B customer segment. Within that, it has identified small and medium-sized enterprises (SMEs) as the optimal target audience for its products and services. The Group aims to deliver this via its 'Equals Money' proposition – a single platform comprising account-to-account transfers and card products for both UK and international transactions. The Group's 'target' customer is an SME between 50-500 employees with UK and overseas payment needs. Engineering, product, and design resources are focused on providing solutions to this customer segment; however, the Group's products equally serve both smaller and larger B2B customers.

Despite the continuing growth of fintech within the wider market, it remains the case that most payments activity continues to flow through the incumbent banks and payment networks. Therefore, winning business from these institutions remains a key focus for the Group in terms of both product development and sales and marketing activities. However, investment into the fintech competitors of Equals also makes it essential that the Group continues to innovate and invest into its platform and connectivity to remain ahead of the competition in its chosen B2B payments space. The success of this strategy to-date is clear in the Group's FY-2021 results.

PERFORMANCE IN 2021

A key milestone to achieving accelerated growth for the Group was passed in May 2021 when Equals launched its capability to offer 'own-name multi-currency IBAN' accounts to its customers. This enables the business customers of Equals to pay and receive into a single account in their own name, and that account can process all currencies automatically. Further, the Group can offer its customers the flexibility to open multiple own-name IBAN accounts or multiple sub-accounts within a single IBAN. This flexibility places Equals in a position where it can solve many payment and reconciliation problems for business customers, all delivered through one unified platform.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Equals Solutions

The own-name multi-currency IBAN capability, and the flexibility it offers, underpinned the creation of a new revenue stream: Equals Solutions. Launched in June 2021, it contributed £0.3 million to revenues in the first half-year and £3.6 million for the full year, with a significant £1.7 million contribution of which was the fourth quarter showcasing its rapid growth and take-up by business customers.

Equals Solutions is targeted at larger corporates and provides a bespoke platform for each client. The flexibility in terms of being able to onboard a complex B2B customer rapidly and provide multiple own-name IBAN accounts and sub-accounts combined with the ability to implement complex authorisation hierarchies and protocols for the customer is a capability that few companies can offer. Incumbent banks are unable to compete given their operations remain on slow and often outdated infrastructure, while a typical fintech competitor concentrates on B2C not B2B customers and even may only have some – and not all – of the capabilities needed. Equals are therefore set apart given it provides a complete suite of services and products with the latest tech proposition.

Equals Money

Equals Money combines account-to-account payments, card payments and current accounts in one unified platform and is targeted at SME customers.

Along with Equals Solutions, the ability to offer own-name IBAN accounts to customers has significantly enhanced the capabilities of the Equals Money platform. In addition, during 2021 the Group implemented additional developments to the Equals Money platform including a new customer interface via website and app, batch payments and multi-tier configurable approval functionality.

Equals Pay and Equals Exchange

Equals Pay is the Group's customer-facing international payments product. Numerous enhancements have been made to this product, including the ability to make batch payments and improved forward contract functionality.

Equals Exchange is the Group's internal dealing platform which runs on the same infrastructure as Equals Pay. This was launched during the year and is proving a very capable platform and is well regarded by Equals' dealers.

Other achievements and product launches

- Improved onboarding journey for all customers allied to automated compliance checks to minimise new-customer friction
- Appointment of new Head of Sales and simplification of commission structure
- Implementation of Growth Team comprising marketing and business development
- Continued development of CRM (HubSpot) platform yielding improved sales traction
- Creation of Data Team and investment into data capabilities and insights
- Further upgrades to the Group's compliance capabilities and personnel
- Joining the 'Confirmation of Payee' scheme for UK Payments
- Implementation of automated reconciliations utilising Kani-payments platform, resulting in additional operational efficiency
- Launch of 'Linked Cards' for FairFX B2C cards platform
- Banking platform re-branded

STRONG FINANCIAL PERFORMANCE – GROWTH AND RESILIENCE THROUGHOUT THE YEAR

2021 was a year of significant growth for the Group in terms of transaction volumes, revenues and expanded product suite delivering enhanced operational capacity. Growth was broad-based across the B2B products, aided by the advent of the Equals Solutions revenue stream in June. The growth in revenues has flowed through to EBITDA as the Group became increasingly operationally geared and also cash generative.

The transaction table below shows how the volumes through the Group's platform have almost doubled since 2019 despite the impacts of the Covid pandemic. Overall transaction volumes have increased by 97% over pre-pandemic 2019 levels and 63% over 2020 activity. Within these totals, currency transactions have increased by 105% since 2019 and 63% since 2020, whilst banking transactions have increased by 73% and 62% respectively.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Table A: Transaction amounts since January 2019

In £ millions	Banking	Currency sold	Like for like total	Solutions Platform	Group total
Q1-2019	171	451	622	–	622
Q2-2019	189	448	637	–	637
Q3-2019	202	575	777	–	777
Q4-2019	209	643	852	–	852
Total, FY-2019	**771**	**2,117**	**2,888**	**–**	**2,888**
Q1-2020	194	664	858	–	858
Q2-2020	169	533	702	–	702
Q3-2020	221	660	881	–	881
Q4-2020	237	815	1,052	–	1,052
Total, FY-2020	**821**	**2,672**	**3,493**	**–**	**3,493**
Increase on prior year			+21%		+21%
Q1-2021	230	829	1,059	–	1,059
Q2-2021	340	909	1,249	143	1,392
Q3-2021	374	1,199	1,573	313	1,886
Q4-2021	387	1,415	1,802	391	2,193
Total, FY-2021	**1,331**	**4,352**	**5,683**	**846**	**6,529**
Increase on prior year			+63%		+87%

The ability to process a doubling of activity in two years demonstrates the resilience of the platform the Group has built, the value of the investment in infrastructure which was commenced in 2018, along with the acquisition of Casco in 2019. Furthermore, the acceleration in transactions in the 3rd and 4th quarters of FY-2021 shows the effect of the own-name IBAN roll-out combined with Equals Solutions driving increased activity.

The revenue table below tells a similar story with strong revenue growth compared to both 2019 pre-pandemic levels and the 2020 performance. Overall revenues grew 43% over 2019 levels and 52% over the Covid-impacted 2020 result. Within the revenue performance, the shift towards B2B is clear to see. FY-2021 revenues were split 81% B2B and 19% B2C compared to a 55/45 split in FY-2019 and a 70/30 split in FY-2020.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Table B: Revenues since January 2019

In £'000s	B2B	B2C	Total	Revenue margin	Revenue per day*
Q1-2019	3,831	3,087	6,918	1.1%	110
Q2-2019	4,069	3,636	7,705	1.2%	124
Q3-2019	4,164	3,847	8,011	1.0%	123
Q4-2019	5,231	3,080	8,311	1.0%	128
Total, FY-2019	**17,295**	**13,650**	**30,945**	**1.1%**	**121**
Mix	56%	44%			
Q1-2020	5,354	2,672	8,026	0.9%	125
Q2-2020	3,928	1,819	5,747	0.8%	94
Q3-2020	5,273	2,033	7,306	0.8%	112
Q4-2020	5,797	2,084	7,881	0.7%	123
Total, FY-2020	**20,352**	**8,608**	**28,960**	**0.8%**	**114**
Change on prior year	+18%	-37%	**-6%**		
Mix	70%	30%			
Q1-2021	5,626	2,438	8,064	0.8%	128
Q2-2021	7,179	1,662	8,841	0.7%	145
Q3-2021	9,925	1,980	11,905	0.8%	183
Q4-2021	12,873	2,408	15,281	0.8%	239
Total, FY-2021	**35,603**	**8,488**	**44,091**	**0.8%**	**174**
Change on prior year	+75%	-1%	**+52%**		
Mix	81%	19%			

* *based on underlying, not rounded, figures and expressed as revenue divided by the number of working days in each quarter.*

In terms of growth and productivity, revenue per employee rose by 80% to £172k per employee (FY 2020: £96k), a testament both to productivity, incentives and strong headcount control.

Product outlook

Unified platform – Equals Money & Equals Solutions

Great strides were made during 2021 in the development of 'Equals Money', which incorporates the payments, cards and current account solutions that the Group can offer in one unified platform and ties directly into the strategic vision for the Group to simplify money movement for business customers.

The investment made in prior years to assemble infrastructure providing bank-grade security and connectivity, including the integration into the Faster Payments network and the implementation of the Citibank partnership to provide 'local' settlement in over 40 countries, form the underlying platform for clearing payments efficiently. The scalability of this platform is evidenced by the doubling of transaction volumes processed in the last two years.

To optimise revenues from this assembled infrastructure, it is essential to make it simple both to become a customer and then to use the platform. For the customer acquisition journey, investment has been made into further refining the onboarding journey, utilising automated compliance checks overlaid with additional compliance personnel to fast-track non-standard cases. For the ease-of-use of the platform the Group has applied extensive resources into refining the User Experience (UX) utilising both extensive research into customer needs and the inhouse product and design expertise at Equals.

In 2022 the Group will continue to invest in platform capabilities, on-boarding efficiency and UX to constantly improve both the platform functionality and usability. This will translate into increased revenues from existing customers whilst improving sales success and conversion of leads into new customers. Further, the Group will integrate the platforms with major accountancy software providers thereby providing another sales channel and expanding the pool of customers who can access Equals' products and services.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Payment infrastructure, "Boxes"

2021 saw major advances in the Group's capabilities to deliver enhanced account services to its customers. The most significant advance was the ability to give a customer an 'own name multi-currency IBAN' – an account in their own name denoted by a unique IBAN ('International Bank Account Number') which supports multiple currencies. As the account is in the name of the customer, a so-called 'first party' account, this allows more use-cases than payments into a 'pooled account' from a compliance perspective. Further, having one IBAN for all currencies enables a customer to provide one single account identifier to all of its customers and suppliers, thereby simplifying both sales and procurement processes.

To offer own-name multi-currency accounts, many third-party integrations were needed, including partner banks and SWIFT. However, the key framework to support the flexible platform we require is referred to as 'Boxes'. A Box is our internal title for a single currency container in which you can store an asset. Hence, each own-name multi-currency IBAN has one Box per currency. Further flexibility is gained by the fact that a Box can support sub-Boxes so a customer can pay directly into their IBAN or directly to a sub-Box. This sub-Box capability allows us to offer customers an own-name IBAN with unlimited sub-accounts if they require it.

The Boxes infrastructure also provides the capability for an Equals Customer to create own-name IBAN accounts for its own customers – subject to Equals compliance checks. This capability can resolve complex reconciliation issues for companies that have multiple parties paying into one bank account per currency. Each party can have a unique IBAN to pay into, in any currency, and therefore the Equals customer knows at point of receipt of funds who has remitted them.

Supporting this configuration is the Boxes service which automatically creates a Box on receipt of funds and auto-processes funds into and out of a Box via SWIFT, BACS, Faster Payments and SEPA.

Further development of the Boxes infrastructure is planned for 2022, enabling us to deliver key additional functionality for both Equals Money and Equals Platforms including real-time running balances, statements and enhanced reporting for customers, bulk payments and the recently announced direct integration into the SEPA (Single European Payments Area) network. In addition, the Group will build out its capability to offer its IBAN and Boxes functionality via API – thereby allowing more sophisticated customers to directly integrate with the Equals platform and support white-label opportunities.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Card Products

Similar to the account-to-account payment infrastructure that Equals has assembled, 2021 saw significant progress in the development of the Group's card platform that underpins a strong pipeline of customer-facing features to be deployed in 2022. The new infrastructure can power the Group's card products for the medium term and allow Equals to run card schemes in overseas locations. 2022 will see the launch of the new Equals Money card, replacing the Equals Spend cards which run on legacy infrastructure. The new cards, which are multi-currency, can be both virtual and physical and have many more features and capabilities. Equals are also moving towards being its own Issuer for its card products, thereby eliminating another party from the supply chain and speeding up development cycles.

Sales and Marketing – a high growth agenda

The Group further enhanced its capabilities in Sales and Marketing in 2021. The roll-out of HubSpot, the new CRM system for Equals, continued during the year, focusing on the B2B customer segment. Many activities previously performed in isolation are now processed automatically via the HubSpot platform so that the Group has a single database on customers and a central hub from which all customer interaction is performed and recorded. The focus for 2022 will be to harness this capability to drive new customer acquisition and to further drive enhanced revenues from the existing client base.

Equals created a 'Growth Team' during the year which combined marketing with the overall growth agenda. This team is responsible for HubSpot in terms of ensuring optimisation of how it is used across the Group and that the benefits derived from it are maximised. The focus of the team is to enable growth by a combination of delivering increased revenue from existing customers whilst driving new customer acquisition. The key for the success of the team is the interaction with the revenue teams to support them in reaching their targets.

In keeping with the overall strategy of the Group, the focus for growth is on the B2B customer base. Unlike B2C customer acquisition, where above-the-line ('ATL') marketing such as TV and billboard advertisements augmented by digital marketing is the driving force, B2B customer acquisition relies more on the outbound sales function augmented by and integrated with a coherent digital marketing strategy and content production. Accordingly, the Growth Team works very closely with the Sales functions across the Group in defining campaigns and assisting the sales efficacy with targeted digital marketing and an in-house pay-per-click ('PPC') team.

The challenge for Equals in 2022 in sales and growth is managing the transition from being a product-led business to a platform-led business. Previously, the Group has sold its products – International Payments, Card Products and Current Account products – using largely separate sales teams and marketing strategies. As Equals moves forward, it will be selling Equals Money to the SME customer base and Equals Solutions to the larger B2B customers. The transition from product to platform differentiates Equals from vanilla FX businesses, as the Group can compete not just on FX rates, but on platform capability and service. The Sales skills required are also different and therefore the Group appointed a new Head of Sales during the year, revised the commission structure and upgraded its sales teams.

The steps taken in 2021 position Equals well for the transition from product to the platform as it now has a stronger sales team, a single-source-of-truth CRM platform and the Growth Team is established internally as the fulcrum around which will drive the Group's unified Sales approach.

Board composition

On 9 April 2021, we welcomed Christopher Bones as a Non-Executive Director of the Company with his background in both Human Resources and Marketing. He has been invaluable in the formulation of a compensation strategy for the Group as well as assisting in the development of a go-to-market strategy.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Employees

The Group has been focusing on enhancing 'bench-strength' to support the executive layer that sits just below the Board. Pursuant to this, the Group took on a Head of Compliance to compliment the already strong operational team, and the CFO, Richard Cooper, recruited a new Director of Finance to enable him to work even more closely with myself on corporate opportunities and investor relations.

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

Three senior members of the executive team left the Group during 2021 and I thank them for their time whilst at Equals.

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

The labour market in the UK, particularly in the fintech space, is extremely competitive. Accordingly, in 2021 the Group introduced a company-wide share-ownership scheme ('SIP') where all eligible employees received the same number of shares in Equals. The Group will seek to make similar awards on an annual basis. In addition, Equals introduced a long-term incentive plan ('LTIP') scheme for senior employees and a similar plan with performance conditions for Executive Directors. Both the SIP and the LTIP schemes have lengthy vesting periods and thereby provide strong retention benefits for the Group.

ESG

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

Future plans and opportunities

The strategic direction of the Group remains clearly focused on the B2B customer segment with Equals Money being targeted at the SME base and Equals Solutions at larger corporate opportunities. The growth potential, now that Equals has assembled the core capabilities of own-name IBAN and bank-grade connectivity and clearance, is extremely strong due to the complexity and time required to replicate the Group's capabilities and will only be enhanced by the developments planned for 2022.

Equals will continue to look for growth opportunities and can do so with a strong balance sheet and cash position. The Group will examine overseas expansion beyond its current predominantly UK-centric customer base and will also take a considerate and opportunistic approach to acquisitions as they present themselves.

Recent geo-political events

The current uncertainty caused by the conflict from Russia to Ukraine does not have a material impact on Equals as the Group's direct exposure to the region is extremely limited. In addition, clearly, to the extent the situation affects global confidence and trade volumes, this could impact general commercial activity levels during 2022. We have not seen any direct impact to date but continue to monitor the situation closely.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Q1-2022 trading

2022 has started exceptionally well with revenues to 28 March, 78% higher than the same period in 2021 at £13.6 million. Strong revenue growth continues to come from B2B with all product lines progressing well. Equals Solutions, which contributed £3.6 million of revenues in FY-2021, has already contributed £2.46 million in FY-2022 to-date and is expected to continue to grow strongly as the Group adds new functionality to its payments platform during the year.

Equals, therefore, has a strong outlook resulting from the investments it has made to create a payments platform comprising International and Domestic Payments, Card Payments and Banking Services underpinned by exceptional technology and direct connections to multiple payment networks. Further investments made in compliance, onboarding and user experience mean that the rich functionality of the platform is made easily accessible to current and potential customers. Finally, advances made in Sales, Marketing and Data mean that Equals now sells its products and platform more efficiently. Accordingly, the Board looks forward to the future with confidence.

IAN STRAFFORD-TAYLOR
Chief Executive Officer
29 March 2022

Chief Financial Officer's Report

I present my review and financial analysis for the year ended 31 December 2021.

Table 1: Income and Expense account

	FY-2021 £ millions	FY-2020 £ millions
Revenue (table 3)	**44.1**	29.0
Gross Profits (table 3)	**24.0**	18.3
Less: Marketing	**(1.2)**	(1.2)
Contribution	**22.8**	17.1
Expenditure (table 9)	**(16.1)**	(16.0)
Adjusted EBITDA	**6.7**	1.1
Less: Share option expense	**(0.3)**	(0.4)
Less: Exceptional items and acquisition costs	**(0.7)**	(2.7)
EBITDA	**5.7**	(2.0)
IFRS 16 Depreciation	**(0.9)**	(0.9)
Other depreciation	**(0.5)**	(0.5)
Amortisation of acquired intangibles	**(1.3)**	(1.2)
Other amortisation	**(4.5)**	(3.2)
Contingent consideration cost	**(0.1)**	(0.6)
Impairment of the Bureau operations	**(1.6)**	–
	(8.9)	(6.4)
EBIT	**(3.2)**	(8.4)
Lease interest	**(0.2)**	(0.2)
Foreign exchange differences	**(0.1)**	(0.2)
Contingent consideration finance charges	**(0.3)**	(0.2)
	(0.6)	(0.6)
LOSS BEFORE TAXATION	**(3.8)**	(9.0)
Corporate and deferred taxation	**1.1**	0.7
R&D tax credits receivable	**0.4**	1.4
	1.5	2.1
LOSS FOR THE YEAR	**(2.3)**	(6.9)

Table 2: Earnings per share

		Normal	Adjusted
Basic	**2021**	**(1.35)p**	**(0.73)p**
	2020	(3.87)p	(2.33)p
Diluted	**2021**	**(1.35)p**	**(0.73)p**
	2020	(3.87)p	(2.33)p

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 3: Revenue and gross profits

A. Revenue summary by business line

	FY-2021		FY-2020	
£ millions	**Revenues**	**Gross profits**	**Revenues**	**Gross profits**
International Payments (Table 4)	**29.5**	**14.0**	17.4	11.1
Spend Platform	**6.3**	**4.3**	3.7	2.0
Personal cards	**2.4**	**1.6**	2.1	1.1
Banking	**5.6**	**4.0**	5.1	3.8
Bureau operations and other	**0.3**	**0.1**	0.7	0.3
	44.1	**24.0**	29.0	18.3

B. Revenue and gross profits by customer grouping and markets

	B2B v B2C			Non-travel v Travel		
£ millions	**B2B**	**B2C**	**Total**	**Non-travel**	**Travel**	**Total**
REVENUES						
- 2021	**35.6**	8.5	**44.1**	41.4	2.7	**44.1**
- 2020	**20.4**	8.6	**29.0**	26.3	2.7	**29.0**
% change*	**+75%**	-1%	**+52%**	+58%	–	**+52%**
GROSS PROFITS						
- 2021	**16.6**	**7.4**	**24.0**	**22.1**	**1.9**	**24.0**
- 2020	**12.8**	5.5	**18.3**	16.8	1.5	**18.3**
- 2021%	**47%**	**87%**	**54%**	**53%**	**70%**	**54%**
- 2020%	**63%**	64%	**63%**	64%	56%	**63%**

* *based on underlying, not rounded, figures.*

The Group has many individual revenue lines (and associated variable costs), but broadly these can be summarised as follows:

International payments:
This includes direct, affiliate and white-label foreign exchange for business customers and to a lesser extent, affluent private customers.

It also includes the bulk of the "solutions" product, launched during the year, which leads with an own-name IBAN, facilitating both same-to-same transactions and currency A to currency B transactions, as well as bulk payments using our "Faster Payments" membership gateway.

The white-label business trading under the Equals Connect brand, allows smaller providers to "piggy-back" off our excellent compliance processes and speed of delivery.

The white-label business acquired in 2019 had a stellar year growing its revenues from £2.4 million to £7.7 million, although at a tighter gross profit margin of 14% due to both competitive pressures and one particularly large affiliate.

The Material trade (announced on 28 October 2021) was a "bonus" but took many weeks to see through a highly complicated transaction and demonstrates the ability of the Group to deal with transactions of this size and complexity.

Solutions, as fully described in the CEO's Report came on stream late in H1-2021 and ramped-up each month since.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 4: International Payments, FY-2021 and FY-2020

FY-2021	Turnover £ millions	Number of transactions	Revenue £ millions	Margin (in bp*)	Gross profit %
Core	2,473.1	88,314	16.7	65.4	62%
White label	1,094.2	34,090	7.7	70.8	14%
Material trade	114.4	1	1.5	132.3	54%
FX trades from Solutions clients	241.1	584	2.5	101.8	24%
Sub-total, currency	3,922.8	122,989	28.4	72.4	47%
Other flows from Solutions clients	845.9	3,241	1.1	13.0	89%
Totals	**4,768.7**	**126,230**	**29.5**	**61.9**	
- B2B	4,400.6	97,515	26.3	59.8	
- B2C	368.1	28,715	3.2	88.5	
Totals by segment	4,768.7	126,230	29.5	61.9	
- Spot	3,199.1	114,391	23.2	72.5	
- Forward	723.7	8,598	5.2	71.9	
Total, from currency trades	3,922.8	122,989	28.4	72.4	

FY-2020	Turnover £ millions	Number of transactions	Revenue £ millions	Margin (in bp*)	Gross profit %
Core	2,088.7	84,069	15.0	71.8	69%
White label	279.0	10,624	2.4	86.0	29%
Material trade	–	–	–		–
Solutions	–	–	–		–
TOTALS	2,367.7	94,693	17.4	73.5	64%
- B2B	1,975.0	60,953	13.7	69.4	
- B2C	392.7	33,740	3.7	94.2	
- Spot	1,716.3	86,015	11.5	67.0	
- Forward	651.4	8,678	5.9	90.6	

* *bp = Basis Points representing 100th of 1%.*

B2B continued to grow, and of the total of revenues from International Payments, represented:

- 91% of total turnover (FY-2020: 83%),
- 89% of total revenue (FY-2020: 79%), and
- 77% of total transactions (FY-2020: 64%).

Part of the growth driver for this was the White-label offering, Equals Connect which trades exclusively through affiliates, and therefore at a lower gross return.

Of the total revenues from International Payments, Spot transactions represented:

- 82% of turnover (FY-2020: 72%),
- 82% of revenue (FY-2020: 66%), and
- 93% of transactions (FY-2020: 91%).

Forward margins fell slightly in the aggregate caused mainly by customers taking shorter-dated forwards through Brexit and covid uncertainty.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Average transaction values from the core and white label books and composition between B2B/B2C and Spot/Forward were:

Table 4a: International Payments, Transaction Sizes, FY-2021 and FY-2020

	FY-2021 £'000s Transaction size	FY-2020 £'000s Transaction size
Core	**28.1**	20.2
White-label	**32.1**	26.3
- B2B	**34.2**	32.4
- B2C	**12.8**	11.6
- Spot	**25.0**	20.0
- Forward	**84.2**	75.0

Spend platform:

This is a card-loaded expenses platform delivered via mobile phone or other devices. Extensively used in the film production industry, it enables tight control of corporate expenses but gives companies great flexibility to be agile in their requirement to commit funds. This segment is regarded as B2B.

Table 5: Spend platform

	FY-2021	FY-2020
Card loads (£ millions)	**333.9**	203.3
Number of loads	**448k**	330k
Number of transactions	**3,131k**	1,872k
Revenue (£ millions)	**6.3**	3.7
Average revenue/transaction	**201p**	200p

FY-2021 saw a strong rebound from the Covid impact in FY-2020 – particularly in the final quarter. A greater number of customers (and their employees) were signed-up and able to benefit from advanced product features.

Personal cards

The origin of the Group in 2007 was a pre-paid web and mobile-enabled card for affluent individuals, often with family financing needs to be served through our "linked-cards option. This segment is categorised as B2C.

Table 6: Personal cards

	FY-2021	FY-2020
Card loads (£ millions)	**61.4**	64.4
Number of loads	**250k**	340k
Number of transactions	**1,106k**	938k
Revenue (£ millions)	**2.4**	2.1
Average revenue/transaction	**212p**	225p

This business saw a modest increase over 2020, but since December 2021 as Covid restrictions have eased, the Group has witnessed an upturn in usage and revenues. The card product is often used by the owners of the SMEs served by our Spend platform, so it remains a useful but not core product. Given the uncertainties posed by Covid-19, the Group limited its marketing expenditure in this segment in FY-2021.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Banking services

A suite of bank-style accounts for emerging corporates, established trusts and personal individuals who want a way to control their expenditure. The B2B segment of this income is marginally more than 50% of its total.

Table 7: Banking services

	FY-2021	FY-2020
Deposits (£ millions)	**£1,331**	£821
Transactions	**5,458k**	3,715k
Number of accounts	**14.5k**	14.2k
Revenue (£ millions)	**£5.6**	£5.1
Revenue per account	**£392**	£354

Bureau de change

A legacy of the City Forex acquisition in 2018, the Group retains two branches in the City of London, mainly serving corporates in the insurance and other professional services sector, along with walk-in traffic from workers in the City. Thus, there is a mix of B2B and B2C revenues. Owing to the impact of Covid-19, a decision was made to impair the goodwill of this business in FY-2021 and the corresponding impairment is £1,638k

Variable costs:

There are three main categories of variable cost:

(a) Transaction costs – these are third party costs applying to all the above, and range from banking fees to MasterCard costs, and variable KYC and KYB costs.

(b) Affiliate commissions (or introducer fees); mainly a revenue sharing model applying to International Payments.

(c) Staff commissions; revenue related commissions payable, through the payroll, to a cohort of highly motivated professionals who may earn monthly, quarterly and annual commissions based on their own success.

The table below shows which business units have the various cost components:

Table 8: Variable costs by business line

£ millions	International payments	Cards	Banking
Transaction costs	1.7	2.7	1.6
Affiliate Commissions	5.0	–	–
White label commissions	6.3	–	–
Staff commissions	2.8	–	–
Totals FY–2021	**15.8**	**2.7**	**1.6**

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Marketing costs

These include costs relating to the Equals brand, along with specific marketing programmes, relating more to Spend and Banking than other product sets.

Overheads

As with many "fintechs", the Group has as its largest cost, staff, followed by IT expenditure, premises, professional fees (many relating to our position on AIM), and modest other expenses.

Staff costs include employment taxes, employee benefits and contractor fees – mainly in our Engineering team. With just over 255 staff, the split of staff is more heavily weighted towards revenue earning/maintaining staff along with product development personnel.

Revenue per employee increased 80% to £172k, up from £96k in 2020. Base cost (meaning, salary, ERs NIC and employers pension contribution) rose from £50k per employee to £52k per employee during the year. Value added per employee rose 160% from £46k to £120k in the year.

Expenditure that meets the obligations and criteria of IAS 38 are capitalised and amortised over the anticipated useful life with a maximum of 60 months from inception.

Table 9: Components of expenditure

£ millions	FY-2021	FY-2020
Staff costs	**15.7**	16.9
- Less capitalised	**(3.0)**	(4.0)
- Less: exceptional items	**(0.7)**	(1.4)
- Less IFRS 16 (vehicles)	**(0.1)**	–
Net staff costs	**11.9**	11.5
IT and telephone	**2.1**	1.7
- Less capitalised	**(0.3)**	(0.4)
Net IT costs	**1.8**	1.3
Premises costs	**1.8**	2.0
- Less IFRS 16	**(1.0)**	(1.0)
Net premises costs	**0.8**	1.0
Professional and compliance fees	**1.3**	1.4
Travel and entertainment	**0.3**	0.4
Bad debts and similar	**–**	0.4
	16.1	16.0
Analysed between:		
Gross expenditure	**21.2**	22.8
Taken to the balance sheet	**(4.4)**	(5.4)
Below adjusted EBITDA	**(0.7)**	(1.4)
Totals per Table 1	**16.1**	16.0
Year-end number of staff	**255**	270

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Exceptional items

As announced in the interim results on 14 September 2021, the Group carried out some restructuring of a layer of senior management, and the termination and similar costs for that layer have been taken as an exceptional item being £0.7 million.

Exceptional items in 2020 were £1.6 million against Covid-19 and £1.1 million against the migration away from Wirecard, a previous card programme manager for the Group. Of the 2020 costs, £2.0 million was cash incurred, and the balance was related to write-offs.

There were no acquisitions in the year and therefore no expenditure was incurred. (FY-2020: £130k was incurred in connection with the purchase of Effective FX).

Depreciation

Tangible fixed assets are depreciated over the anticipated useful life with a maximum of 60 months (other than leasehold improvements which is a maximum of 120 months). Assets (principally property and similar leases) are also depreciated over the shorter of the useful life of the asset and the lease term.

Table 10: Depreciation

	FY-2021 £'000s	FY-2020 £'000s
IFRS 16 depreciation	**931**	940
Other depreciation	**467**	487
	1,398	1,427

Guidance: Based upon the expenditure incurred to 31 December 2021, the depreciation charges for those assets in FY-2022 will be:

	£ millions
IFRS 16 depreciation	0.8
Other depreciation	0.5
	1.3

Amortisation

Intangible assets acquired on acquisition are amortised over their estimated useful lives, with a maximum of 60 months for Brands and a maximum of 108 months for Customer Relationships. The charge to amortisation for the year can be analysed as follows:

Table 11: Components of amortisation charges

	FY-2021 £'000s	FY-2020 £'000s
Amortisation charge arising from the capitalisation of internally developed software in the following years:		
2018 and earlier	**1,303**	899
2019	**1,661**	1,382
2020	**893**	451
2021	**287**	–
	4,144	2,733
Amortisation charge for other intangibles	**357**	404
	4,501	3,137
Amortisation of acquired intangibles	**1,311**	1,210
Total amortisation charge	**5,812**	4,347

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Guidance: Based upon expenditure to 31 December 2021, the amortisation charges for FY-2022 are expected to be:

	£ millions
Internally developed software	4.3
Other intangible assets	0.3
Acquired intangibles	1.3
	5.9

Finance and other

IFRS 16 financial charges have been calculated using the lessee's incremental borrowing rate on the NPV of total lease payments, this is released over the lease period to the P&L.

Table 12: Components of finance and other charges

	FY-2021 £'000s	FY-2020 £'000s
Increase in assessment of contingent consideration (liability) for acquisition of Casco	**46**	793
Adjustment to discount on valuation of Effective	**278**	–
IFRS 16 lease interest expense	**188**	222
CBILS interest	**1**	–
Other interest payable	**23**	18
	536	1,033
Split as follows:		
Included in Finance Charges	**490**	391
Included in Administrative expenses	**46**	642

Impairment

Revenues from the bureau-de-change business acquired with City Forex in 2018 have declined significantly owing to prolonged Covid-19 restrictions and thus the Group concluded it should be impaired to a carrying value of £579k.

Taxation

The Group has £17.2 million of tax losses available.

The Group has been able to receive funds directly from HMRC in relation to claims made for software development. As the Group moves into taxable profits, such claims cease to be paid but offset against future taxable profits. The Group anticipates receiving £0.4 million in relation to the claim for 2021, but possibly no further into the future.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 13: Balance sheet

This table shows a compressed "balance sheet" for the Group.

	31.12.2021 £'000s	31.12.2020 £'000s
IFRS 16 assets, less IFRS 16 liabilities	**(388)**	(345)
Other non-current assets (other than deferred tax)	**32,217**	36,495
	31,829	36,150
Liquidity (per Table 14)	**10,739**	8,827
Trade debtors and accrued income (see note below)	**3,638**	2,314
R&D rebates	**398**	1,367
Prepayments	**998**	860
Deposits and sundry debtors	**329**	643
Inventory of card stock	**168**	194
Accounts payable	**(1,549)**	(1,556)
Affiliate commissions	**(1,945)**	(343)
PAYE, staff commissions etc.	**(1,884)**	(1,701)
Other accruals and other creditors	**(1,349)**	(1,130)
	9,543	9,475
Earn-out balances due (Table 16)	**(1,683)**	(2,746)
Implied interest thereon	**63**	341
	(1,620)	(2,405)
Net corporation and deferred tax	**888**	(547)
Net value of forward contracts	**511**	(31)
	(221)	(2,983)
NET SHAREHOLDER FUNDS	**41,151**	42,642
Retained earnings at 1 January	**(22,259)**	(15,340)
Earnings for the year	**(2,424)**	(6,919)
Amount attributable to the exercise of share options	**93**	–
Retained earnings at 31 December	**(24,590)**	(22,259)
Non-Controlling interest at 1 January	**101**	119
Earnings for year	**162**	(18)
Non-Controlling interest at 31 December	**263**	101
Share capital, share premium	**55,011**	54,789
Other Reserves	**10,467**	10,011
	65,478	64,800
CAPITAL AND RESERVES	**41,151**	42,642

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Table 14: liquidity

	FY-2021 £'000s	FY-2020 £'000s
Cash at bank (see Table 15)	**13,104**	10,032
Balances with liquidity providers	**1,675**	2,776
Pre-funded balances with card provider	**1,615**	2,078
Gross liquid resources	**16,394**	14,886
Customer balances not subject to safeguarding	**(3,655)**	(4,059)
CBILS loan (see below)	**(2,000)**	(2,000)
	(5,655)	(6,059)
Net position	**10,739**	8,827

Exposures to banks and liquidity providers

The Group maintains strong relationships with a number of banks and counterparties for spot and forward foreign exchange transactions. The Group has recurring obligations to safeguard customer funds under the rules of the FCA, who are the prime regulator for the Group.

The balances held at 31 December were as follows:

Table 15: Bank and similar balances

£ millions	Safeguarded	Not required to be safeguarded	Totals
BANKS			
Barclays Bank PLC	47.7	7.1	**54.8**
NatWest/RBS Group	106.9	3.8	**110.7**
Bank of England	30.9	–	**30.9**
Citibank N.A.	26.0	0.1	**26.1**
Blackrock*	–	2.0	**2.0**
Others		0.1	**0.1**
31 December 2021	**211.5**	**13.1**	**224.6**
31 December 2020	96.1	10.0	**106.1**
LIQUIDITY PROVIDERS			
Barclays Bank PLC		0.4	**0.4**
Velocity Trade International Ltd		0.1	**0.1**
Sucden Financial Ltd		1.2	**1.2**
31 December 2021		1.7	**1.7**
31 December 2020		2.8	**2.8**

* *Blackrock is the manager, the legal entity is Institutional Cash Series PLC.*

There exist tight controls over forward contracts with daily monitoring and reporting to the Executive Directors. The out-of-the-money position at 31 December 2021 was £0.2 million.

There were, in addition, £212.0 million of customer funds safeguarded at 31 December 2021 (31 December 2020: £96.0 million).

Balances with liquidity providers and customer balances not subject to safeguarding are typically margin calls on forward contracts.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Pre-funded balances are required in anticipation of customers loading their cards. Should the Group move to self-issuing, such pre-funding will dissipate.

Trade debtors and accrued income

In common with market practice, revenue is recognised on forward transactions on the execution of the transaction. There was one particularly large forward transaction with an investment fund client generating profits of £0.9 million and which settled in January 2022.

Affiliate commissions

The growth in the payable relates to the increase in white label business and introducers for the Solutions business.

Earn-outs

Equals Connect (previously Casco Connect)

As announced on 19 November 2019, the Group acquired Casco Financial Services Limited for a maximum consideration of £3,725,000.

Effective FX

As announced on 15 October 2020, the Group acquired the trade and assets of Effective FX Limited for a maximum consideration of £1,575,000.

Whilst IFRS-3 requires an interest discount factor to be applied, the table below shows the "real cash" aspects of the acquisitions. The accounting standard requires an annual revaluation of contingent consideration based on historic performance.

The table below shows the financial position relating to these acquisitions

Table 16: Earnouts

Acquisition date	Hermex 09.08.2019 £'000s	Casco 19.11.2019 £'000s	Effective 15.10.2020 £'000s	Total £'000s
Acquisition price booked at acquisition	2,000	2,236	1,575	**5,811**
Earn outs paid by 31.12.2020	(2,000)	(1,733)	(125)	**(3,858)**
Revaluation of asset based on performance	–	793	–	**793**
Gross outstanding at 31.12.2020	**–**	**1,296**	**1,450**	**2,746**
Paid during 2021	–	(741)	(368)	**(1,109)**
Further change in consideration	–	46	–	**46**
Gross Outstanding at 31.12.2021	**–**	**601**	**1,082**	**1,683**
Paid during Q1-2022	–	601	282	**833**
Due in remainder of 2022	–	–	800	**800**
Maximum consideration	2,000	3,725	1,575	**7,300**
Total consideration	2,000	3,075	1,575	**6,650**

CBILS loan

On 23 December 2020, the Group drew-down £2,000,000 from NatWest Group under the Government's Coronavirus Business Interruption Loan Scheme ('CBILS'). The loan carries a coupon of Bank base rate plus 2.53%. The loan is repayable at any time, but over 60 equal instalments of £33,333 with the first instalment paid on 21 January 2022.

The interest chargeable in 2021 amounted to £1k.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Share capital, share premium and share options

The number of shares in issue at 1 January 2021 was 178,602,918. This increased in the year through the exercise of 738,889 share options from former employees (Table 17 below), thus the number of shares outstanding at 31 December 2021 was 179,341,807. A further 704,000 shares at nominal value were issued pursuant to the SIP and admitted to trading on AIM on 16 March 2022, resulting in a total number of shares in issue at the date of signing of the Financial Statements of 180,045,807.

At 31 December 2020, the Company had 9,838,356 options outstanding. 738,889 of these were exercised in 2021, and 376,667 lapsed.

Earnings per share are reported/calculated in accordance with IAS 33. For non-diluted, the result after tax is divided by the average number of shares in issue in the year. The average number of shares were 178,959,402 (2020: 178,602,918).

The calculation of diluted EPS is based on the result after tax divided by the number of actual shares in issue (above) plus the number of options where the fair value exceeds the weighted average share price in the year. The fair value of options is measured using Black-Scholes and Monte-Carlo. It should be noted that this calculation is based on fair value, not the difference between the market price at the end of the year or the weighted average price and the exercise price. The weighted average price was 43p (2020: 34p), the number of options exceeding the fair value was 3,553,681 (2020: Nil).

On 18 October 2021, the Company announced Discretionary Share Incentive Plans over 4,535,000 shares. The final awards were lower, at 4,369,000. Thus, at the date of signing of these financial statements, there were 13,091,800 options, representing 7.3% of the issued share capital and 6.8% of the enlarged share capital.

The cost of external advice for these schemes amounted to £84k in the year (FY-2020: £Nil)

At 31 December 2021, the Company had distributable reserves of £931,411. At the date of signing of these accounts, this was equivalent to 0.520 pence per share.

Table 17: Options exercised in the year

Date exercised	Number of options	Grant price
20 April 2021	88,889	36.00 pence
20 April 2021	50,000	29.75 pence
21 July 2021	300,000	26.50 pence
21 July 2021	250,000	29.75 pence
26 September 2021	50,000	43.50 pence
	738,889	

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

CASH STATEMENT

The movement in the cash position is shown in the table below:

Table 18: Cashflow

	FY-2021 £'000s	FY-2020 £'000s
Adjusted EBITDA	**6,713**	1,164
R&D tax credits received (see note below)	**1,367**	2,539
Lease payments (principal and interest)	**(1,080)**	(1,140)
Exceptional items	**(671)**	(1,982)
Internally developed software capitalised (see note below)	**(3,028)**	(4,044)
Purchase of other intangible assets	**(532)**	(484)
Purchase of other non-current assets	**(78)**	(160)
Acquisition costs	**–**	(130)
Movement in working capital	**1,269**	1,829
	3,960	(2,408)
Earn-outs and acquisitions	**(1,108)**	(825)
Funds from exercise of share options	**220**	–
External funding (CBILS)	**–**	2,000
NET CASHFLOWS	**3,072**	(1,233)
Balance at 1st January	**10,032**	11,265
Balance at 31st December	**13,104**	10,032
Amount per share	**7.3 pence**	5.6 pence

R&D credits received

These are earned based on a strict set of criteria set by HMRC and broadly based on new internally generated software development. In 2021, £0.4 million was accrued (FY-2020: £1.4 million) and £1.4 million was received relating to claims made for 2020 (FY-2019: £2.5 million). Whilst future claims may be paid, these are unlikely to be receivable in cash.

Internally developed software capitalised

As a fintech, constantly looking to provide a series of products and platforms, the Group continues to invest and develop. The emergence and rapid growth of the Solutions capability is one tangible deliverable. Equals Money is another product well advanced for which investment is taking place.

Richard Cooper

RICHARD COOPER
Chief Financial Officer
29 March 2022

Statement on Section 172 of the Companies Acts 2006

COMPLIANCE WITH COMPANIES ACT 2006, SECTION 172 STATEMENT

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

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

(b) the interests of the company's employees,

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

(d) the impact of the company's operations on the community and the environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

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

**The directors consider that references to company extend to both the Company and the Group*

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

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

The Board considers below these different stakeholder groups, their material issues and how the Group engages with them. Relevant board engagement with key stakeholders is detailed in the corporate governance report.

EMPLOYEES

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

SUPPLIERS

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

CUSTOMERS

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

REGULATORS AND COMPLIANCE

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

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

STATEMENT ON SECTION 172 OF THE COMPANIES ACTS 2006 CONTINUED

INVESTORS

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

The Strategic Report on pages 5 to 29 was approved and authorised for issue by the Board on 29 March 2022, and was signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer

Governance

Report on Corporate Governance

for the year ended 31 December 2021

OVERVIEW

As Chairman of the Board of Directors of Equals Group PLC ("Equals", "we", "the Company", "the Board", or "the Group" as the context requires), it is my responsibility to ensure that Equals has sound governance and an effective Board. This responsibility includes leading the Board and overseeing the Group's corporate governance. Good and timely information flows between Executives and Non-Executives with interactions that are both supportive and challenging are essential to this.

The goals the Group pursues are to create value for shareholders and customers, to monitor and improve our environmental and societal impacts and to adhere to good corporate governance.

GOVERNANCE CODE AND COMPLIANCE

Equals has adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") in line with the London Stock Exchange's AIM Rules. This Statement follows the ten-point structure of the QCA Code and describes how we have applied the Code. The Group will provide updates not less than annually.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Group. The Board recognises that even where the Group may not fully comply with a principle or general provisions of the Code, it uses the Code as a benchmark in assessing its corporate governance standards. Where the Group does not fully comply, it gives reasons for this.

Equals pursues a customer-driven, socially and environmentally responsible culture illustrated through its internal values and policies and its supplier and shareholder engagement. Equals believes that application of the QCA Code supports the Group's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders.

Key governance-related matters that have arisen over the past 12 months include:

- the appointment of Professor Christopher Bones as a Non-Executive Director and Chair of the Remuneration Committee and a member of the Audit and Risk Committees
- the change in Company Secretary to One Advisory Limited

The Group's Investor Relations website (equalsplc.com) contains all documents required by AIM rule 26, notably:

- The Articles and Memorandum of Association
- Admission document
- Financial statements and annual reports
- Governance statements
- Details of directors and advisors.

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 five Directors. The experience and skills of each director is set out below.

Over the reporting year, the Board made the decision to appoint a further Non-Executive Director, Chris Bones, to the Board, who brings further digital and commercial acumen to the Board. The Board is confident that the current mix of skills and competencies amongst the Board aligns well with the Company's strategic priorities over the medium- to long-term but this position will continue to be kept under review.

Alan Hughes – Chair and Independent Non-Executive Director
Date of appointment: 1 March 2020
Committees: Nominations (Chair), Remuneration, Risk

Alan has 35 years of experience with HSBC, becoming General Manager on the UK Executive board. He was also CEO of FirstDirect Bank where he introduced its digital services, and introduced significant product innovation. His non-executive roles have included Chairman of RateSetter, the Peer-to-Peer platform, and Non-Executive Director of NewDay Cards and of Capital One Bank. He is currently Chairman of Unity Trust Bank PLC and Senior Independent Director of Hitachi Capital (UK) PLC. He has an MBA from Henley Business School and is a Fellow of the Chartered Institute of Bankers.

REPORT ON CORPORATE GOVERNANCE CONTINUED

IAN STRAFFORD-TAYLOR

Chief Executive Officer
Date of appointment: 4 March 2014
Committees: Nominations

A Founder and a Director of the Group since 2007. Ian has held a number of senior banking roles, including Business Unit Controller and Head of International Securities Lending at Morgan Stanley, where he worked from 1985 to 1992. Following this, Ian 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
Committees: none

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

SIAN HERBERT

Independent Non-Executive Director
Date of appointment: 1 October 2020
Committees: Audit (Chair); Risk (Chair); Remuneration, Nominations

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

PROFESSOR CHRISTOPHER BONES

Independent Non-Executive Director
Date of appointment: 9 April 2021
Committees: Remuneration (Chair); Audit, Risk, Nominations.

Chris Bones has held senior executive positions at major companies including Diageo and Cadbury. Chris co-founded Good Growth Ltd ('Good Growth'), a successful e-commerce consulting business whose clients include Diageo, Kraft Heinz, WHSmith, Pets at Home, ITV, Boohoo, Channel 4, and others. Good Growth has grown into a successful SME powering rapid digitally fuelled growth in both B2C and B2B businesses across Europe and North America and he will be bringing this experience to the Board in support of Equals' growth.

BOARD INDEPENDENCE AND TIME COMMITMENT

The Board has reviewed the independence of the Chairman and each of the Non-Executive Directors ("NEDs") and considers them to be independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. As at 31 December 2021, no NED holds any share options in the Company.

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

BOARD EFFECTIVENESS

All Directors are expected to keep their skill-set up-to-date, and the Company provides a number of opportunities for Board members to access development opportunities. The Company Secretary provides periodic briefings to the Board throughout the year on developments in corporate governance and regulatory matters, and new Directors are provided with a tailored induction. 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.

We believe that an effective board is one which delivers value for its stakeholders – our shareholders, clients, customers, communities and colleagues. In 2021, the Board implemented a formal annual Board evaluation process that was supported by the Company Secretary. The Company Secretary and Chair developed bespoke questionnaires for the Board and individual Directors to review.

REPORT ON CORPORATE GOVERNANCE CONTINUED

The areas covered in the evaluation were: Board relationships, Board Skills & Governance, Board Processes Committees of the Board, and Priorities for Change. Through the evaluation, the Board identified many positive areas alongside a number of areas where further changes can be made to enhance the Board's effectiveness. These changes will be taken forward by the Chairman over the course of 2022.The Chairman also meets at least once annually with each of the Non-Executive Directors to discuss each Director's contributions to Board meetings.

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 are:

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

These values promote the healthy corporate ethos of effective communication and encourage an 'ideas culture'. The Group believes such values are important in creating a strong and consistent internal culture, as well as being essential to driving the overall success as a business. Staff are actively encouraged to provide feedback on many areas surrounding the business activities and initiative, and fortnightly Group-wide meetings are held to promote an open and honest dialogue across the Group.

SHAREHOLDER ENGAGEMENT

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.

REPORT ON CORPORATE GOVERNANCE CONTINUED

At the Annual General Meeting held on 10 June 2021, the proposed resolutions received the following proportion of votes:

	In favour	Opposed	Withheld*
Ordinary resolutions:			
Adoption of 2020 Annual Report and Consolidated Financial Statements	86.53%	13.47%	0.00%
Re-appointment of PriceWaterhouseCoopers LLP as auditor to the Company	99.99%	0.01%	0.01%
Re-election of Ian Strafford-Taylor	99.99%	0.01%	0.03%
Re-election of Sian Herbert	99.99%	0.01%	0.03%
Re-election of Christopher Bones	99.99%	0.01%	0.03%
Authority to allot shares	99.96%	0.04%	0.01%
Special resolution:			
Disapplication of pre-emption rights	99.88%	0.12%	0.00%

* *a vote withheld is not a vote "in law" and is not counted in the calculation of the votes cast.*

The Board has established four committees to which it has formally delegated duties and responsibilities. The four committees are:

- Audit
- Risk
- Remuneration
- Nominations

The attendance record of each relevant director at board level and committee meetings during 2021 is as follows (quorum was achieved for all meetings). Below committee attendance records represent those of committee members only, with other directors attending by invitation but not specifically included:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Audit/Risk Committee
Number of meetings in the year	12[1]	2	6	2	3	1[2]
Alan Hughes	11/12	1/1[4]	6/6	2/2	3/3	1/1
Ian Strafford-Taylor	11/12			2/2		
Richard Cooper	11/12					
Sian Herbert	10/12	2/2	6/6	2/2	3/3	1/1
Christopher Bones (appointed 9 April)	8/9[3]	1/1[5]	3/3[6]		2/2[7]	

[1] Includes two ad hoc meetings only attended by two directors.

[2] Audit/Risk Committee separated into two distinct Committees upon Christopher Bones' appointment.

[3] Absent for first board meeting.

[4] Stepped down upon Christopher Bones' appointment.

[5] Joined after first Audit Committee.

[6] Joined after second Remuneration Committee.

[7] Joined after first Risk Committee.

Anthony Quirke was the Company Secretary until his resignation from this role on 1 August 2021, when the corporate, One Advisory Limited ("ONE") was appointed as Company Secretary to the Company. ONE are responsible for ensuring that Board procedures are followed and supporting the Company to comply with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance.

REPORT ON CORPORATE GOVERNANCE CONTINUED

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, ensuring that processes are put in place to manage risk inherent in the business, and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee is chaired by Sian Herbert and includes Non-Executive Director Chris Bones. The Audit Committee meets at least 3 times a year, including at appropriate times in the reporting and audit cycle to consider audit matters and otherwise to focus on risk matters. The Audit Committee also meets regularly with the Group's external auditor.

The report of the Audit Committee is included on pages 49 to 51.

RISK COMMITTEE

The Risk Committee is responsible for maintaining the Group's risk register and evaluating the risks included in it. The Risk Committee comprises all Non-Executive Directors and is chaired by Sian Herbert and meets not less than four times a year. The Chief Operations Officer, not a board member, is responsible for day-to-day risk management and compliance and is the prime contact for regulatory bodies that have supervisory roles for the Group.

The report of the Risk Committee is included on pages 52 to 54.

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 two Non-Executive Directors and is chaired by Christopher Bones. The Committee meets at least twice a year.

The Remuneration Committee report is included on pages 55 to 59.

NOMINATION COMMITTEE

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

SHARE DEALING CODE

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

The Corporate Governance Report was approved and authorised for issue by the Board on 29 March 2022, and was signed on its behalf by:

ALAN HUGHES
Chair

ESG Report: Letter from Ian Strafford-Taylor, Chief Executive Officer

DEAR STAKEHOLDER,

Throughout 2021, our very strong employee base, great working culture, and maturing processes and systems have meant that customer engagement and acquisition remained strong. To support our people and our customers, harmonisation and continuous improvement of our practices have been the focus of our ESG management. The following report demonstrates our progress under our four pillars of People, Customers, Governance and Impact, and how this has driven the success of the business.

OUR PEOPLE

We focus on making Equals a rewarding place to work and focus on attraction and retention of employees by developing our recruitment practices, offering more opportunities for growth and progression, and sharpening our focus on equality, diversity and inclusion (EDI) to ensure we are accessing the broadest pools of talent. In doing so this has resulted in a motivated workforce that feels more connected than ever to the business and its success.

OUR CUSTOMERS

Attraction and retention of Our Customers necessitate continued enhancement and innovation of our products and services. In 2021, centralisation of customer information, increasing awareness of customer vulnerability, and remaining responsive to feedback, have allowed the business to improve the customer journey. In addition to the unceasing commitment of our employees to provide the best possible service, this has resulted in strong customer acquisition and retention.

OUR GOVERNANCE

Our practices remain robust. We have, increased security awareness amongst all our employees and contractors. We have also increased the capability of our risk and compliance team and designed a risk framework that supports the operational and financial objectives of the business.

OUR IMPACT

We recognise our impact beyond our immediate stakeholders. We have a responsibility to minimise any impact our operations have upon the environment, and as such are assessing our practices and implementing initiatives to reduce our carbon footprint. We are also committed to giving back to society, supporting employee fundraising and volunteering.

I am very pleased to present our 2021 ESG Report and welcome any questions or feedback.

IAN STRAFFORD-TAYLOR
Chief Executive Officer
29 March 2022

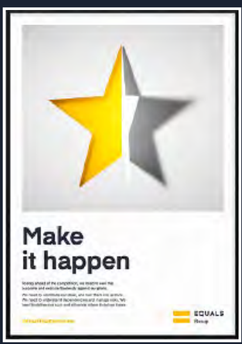
ESG Report: Vision and mission statements

VALUES

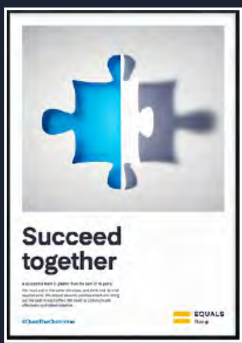
Our company culture is about how we interact with each other, our customers and other stakeholders critical to our success. Our culture helps us achieve our business objectives.

Our culture is defined by four carefully chosen values:

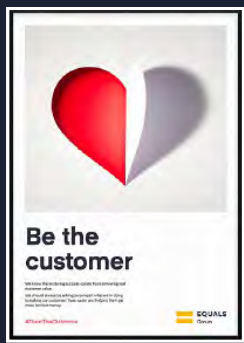
- Make it happen: We will own the outcome and execute flawlessly against our plans. We need to deliver our part and influence others to deliver theirs.
- Succeed together: We must pull in the same direction and bring out the best in each other. We need to communicate effectively and adapt together.
- Be the customer: We should always be asking ourselves if what we're doing is making our customers' lives easier and helping them get more for their money.
- Go beyond: We need to care for ourselves and each other and push ourselves to excel. Every day is a new chance to grow and develop ourselves as well as those around us.



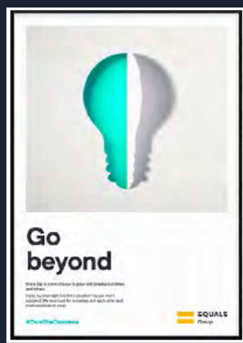
Make it happen
Do the right things, do them right and own the outcome



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



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



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

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

Our four values are underpinned by the philosophy #OwnTheOutcome, which encourages us to take collective responsibility in realising these values.

ESG Report: Cultural framework

Pillar	Value	Material Issues	Relevance	2021 Activities
Our People	Succeed together	Equality, Diversity and Inclusion (EDI)	It is important that we promote a supportive and inclusive working environment and Group culture.	• Developed a new EDI strategy and introduced pronouns on our internal communications platform • Including EDI statement in recruitment practices • Flexible working practices (part-time, condensed hours, flexible hours etc.)
		Recruiting, developing and rewarding talent	Our people are integral to the Group's operations and we want to ensure they feel motivated in their work and are able to develop their skills.	• Introduced share investment schemes • Gained visa sponsorship status • Continuing to push internal promotion and support professional development
		Health and wellbeing	Supporting the mental and physical health and wellbeing of our employees is very important, especially in light of the ongoing pandemic.	• Introduced menopause assistance programme, expanded mental health support available, and increased Life Assurance offering
		Employee engagement	We want our employees to feel engaged and motivated and to know that their interests and concerns are recognised.	• All Hands (every two weeks) • Monthly Own The Outcome (OTO) Awards • Annual OTO Awards ceremony and strategy presentation from the CEO • Use of our internal communications platform • Conducted Base Camp day celebrating achievements and outlining strategy
Our Customers	Be the customer	Protecting vulnerable customers	It is critical that we consider customer vulnerabilities in the development and delivery of our products and services.	• Increased awareness for customer vulnerability across the entire Group • Rewrote Vulnerability Policy • Put together customer vulnerability training and delivered to customer-facing senior managers
		Customer experience and engagement	Engagement with our customers enables us to understand their requirements and maintain clear and transparent communications.	• Created one centralised customer identity management system • Robust customer complaints process • Logging dissatisfactions to drive improvements • Have a Treating Customer Fairly Policy and conduct training • Responding to customer feedback and implementing quick fixes • Three channels for customer services • 2 weeks training for new starters in customers services and ongoing training for all customer services staff • System for flagging suspicious activity

ESG: REPORT CULTURAL FRAMEWORK CONTINUED

Pillar	Value	Material Issues	Relevance	2021 Activities
Our Governance	Make it happen	IT and data security	As a consumer finance company, IT and data security is a key priority for the Group as we must protect our customers' data and minimise the risk of data breaches.	• Increasing awareness for cybersecurity • Cybersecurity Manager role formalised • Annual audit of existing tech suppliers • Annual security awareness, general IT/data security, GDPR, AML and other training through a new online platform • Updated staff on material changes to policies • Annual targeted penetration testing • Two-factor authentication for all systems containing customer data • Informing customers of what data will be asked for by us • Using remote browsers to safeguard data
		Governance and business ethics	Our shareholders must see evidence of our strong ESG risk management and governance oversight, and employees and management must demonstrate ethical behaviour in all operations.	• Compliance training using a new online training platform • Improved feedback loops
		Risk management	To combat any significant disruptions, the Group must have robust systems in place to ensure the continued business operation and efficiency, as well as strict regulatory compliance.	• Increased capabilities of risk and compliance team
Our Impact	Go beyond	Responsible procurement	The Group is committed to minimising its environmental impact by ensuring it procures sustainably and reduces unnecessary waste. It also seeks to ensure fair payment terms with all suppliers.	• ESG criteria included in the due diligence process
		Environmental impact	All companies must consider their GHG emissions and, even as an office-based operation, the Group is working to reduce its carbon emissions.	• Donating retired or unwanted hardware to be reused • Conducted an employee Carbon Emissions Survey • Changed energy provider • Pursuing paper-free initiative
		Giving back to the community	We want to give back to and support the local communities in which we operate.	• Supporting charitable initiatives

ESG Report: Stakeholder Engagement

Engaging with our stakeholders helps the continued success of our business; stakeholders provide different perspectives and expertise that can drive innovation and support our strategic direction and financial performance. We engage regularly with our stakeholders, through both direct communications and our reporting, which we ensure accurately reflect the performance of the business. We also appreciate that each stakeholder group has different interests and concerns, and we therefore tailor our method of engagement with each appropriately.

In line with Section 172 of the Companies Act 2006, the below table indicates why and how we engage with, and the material issues for, each of our stakeholder groups: Employees, Customers, Suppliers, Regulators, and Shareholders.

	Why we engage	Material issues	How we engage
Employees	• Create an open, responsive, and inclusive culture • Establish an engaged and motivated workforce • Develop and promote internal talent	• Equality, Diversity and Inclusion (EDI) • Recruiting, developing and rewarding talent • Health and wellbeing • Employee engagement	• All Hands • Performance reviews • Providing development opportunities • CEO/Executive presenting the business strategy
Customers	• Understand their individual requirements • Innovate and improve the customer journey • Identify any vulnerabilities • Maintain clear, transparent communications	• Protecting vulnerable customers • Customer experience and engagement • Transparent practices • IT and data security	• Customer services communication channels (email, phone, live chat) • Social media platforms • Trustpilot page
Suppliers	• Maintain productive relationships and open communications • Clearly communicate our own standards and expectations	• Governance and business ethics • Risk management • Transparent practices • Responsible procurement	• Due diligence questionnaire • Audits • Ongoing performance monitoring
Regulators	• Demonstrate our high standards of governance and business ethics	• Governance and business ethics • Risk management	• Regulatory compliance team • External Compliance advisors • Annual audits • Membership of industry networks (UK Finance and AFAP)
Shareholders	• Keep shareholders informed of the Group's performance • Enable them to fulfil their stewardship role	• Governance and business ethics • Risk management • Financial performance	• Regular trading updates • Planned investor programmes • Annual and interim reports and press releases • AGM

ESG Report: Our People

‘Succeed Together’: We are committed to bringing our people into the success of the business. As such, and in light of the ongoing pandemic, our focus in 2021 was assessing and consolidating our practices and initiatives to ensure that they will support and empower our employees moving forwards.

EQUALITY, DIVERSITY AND INCLUSION (EDI)

Ensuring that equality, diversity and inclusion considerations are embedded within all facets of our business is a key priority. In 2021 we developed a new EDI strategy and we were very pleased to introduce pronouns on our internal communications platform, to allow our employees to indicate their preferred pronouns.

We conducted a review of our recruitment practices and now include an EDI statement in all job advertisements for the Group. This also supports our ambition to access diverse pools of talented candidates and demonstrate that we are an employer that can support the employees in different circumstances with flexible working practices.

In 2020 we commenced hybrid working. While some departments have critical roles that must be fulfilled in the office, we recognise that many of our employees can work remotely. We also acknowledge that many individuals appreciate flexible working practices due to their personal circumstances and we endeavour to accommodate their needs where possible with condensed or flexible hours.

EMPLOYEE ENGAGEMENT

We are keen to bring our people into the success of Equals and have open communication sessions bi-weekly. We have continued to embed the Group values into the business. Our Own the Outcome (OTO) Awards held monthly, reward those individuals who have been nominated for embodying the values. In September 2021 we held our first Annual Awards ceremony, during which our CEO also presented the roadmap for the business in 2022.

Crucially, to measure the success of our continued efforts to engage with our workforce, we will be relaunching our employee survey. Through our HR platform, we will track employee sentiment, including understanding how valued employees feel and gauging engagement levels.

“We have a really great culture and it does feel like an Equals family. Everyone buys into our company values and they know that their hard work will be recognised and rewarded. We have expanded our People offering in 2021 and will continue to invest back into our workforce in the coming year.”

Shona Kerfoot, People Director

RECRUITING, DEVELOPING AND REWARDING TALENT

Our people are central to our business so we are increasing our capability to attract and retain talented individuals who can support the continued success and strategic direction of the business. In 2021 we reapplied and achieved visa sponsorship status, which enables us to sponsor the visa application processes of those individuals working here from abroad and thereby retain and access talent from across the globe. In 2022 we will launch a new remote global HR system, which will allow us to retain key employees who now need to work outside the UK.

Professional development is a key tenet of our people agenda. We are proud of the high levels of internal promotion we achieve, by enabling individuals to progress within the business. We have launched a book exchange initiative across the business, providing a budget for employees to buy books to encourage individuals to expand their skillsets beyond their current remits. To support ongoing development in 2022, we will be introducing management and leadership training for all employees from the line manager level upwards. The certified training will cover core management skills and behaviours, with the objective to establish a baseline understanding of what constitutes effective leadership and communications.

CHAMPIONING DEVELOPMENT AND INTERNAL PROMOTION

“I joined Equals in 2018, excited by the prospect of a growing and changing business, and I began working on cultural projects to improve the Group’s internal communications and engagement. For the next couple of years, I worked across a range of transformation projects, gradually taking on more responsibilities and larger projects. Ian, our CEO, was very supportive, offering me opportunities to present planning projects to the Board and talk to them about the challenges we were facing. Over time, rather than facilitating other people’s ability to make strategic calls, I was making those strategic calls myself. The opportunities I have been offered at Equals have enabled me to progress in my role and ultimately led to me being promoted to Head of Growth in 2021.”

Isabella Eckert, Head of Growth

ESG REPORT: OUR PEOPLE CONTINUED

"The great thing about Equals is that they recognise internal talent and help you progress. If you identify an initiative that will benefit the company, you are given the opportunity to pursue it. When I first joined, I proposed some changes that could improve efficiency in our internal IT systems, and our CTO agreed and allowed me to lead on that project. I have continued to progress within the Group since then, and have been supported on this journey by Ian."

James Simcox, Chief Product Officer

A crucial element of development is providing feedback to employees. In 2022 we will be launching a new performance management system through our HR platform, facilitating a more structured appraisal process, with goal setting, 360 feedback and bi-annual assessment, which will feed into annual pay review.

Additionally, for the customer services teams, we will be harnessing the data from CRM to set goals and KPIs, enabling individuals to monitor their own performance on an ongoing basis. Providing consistent, constructive performance evaluation not only enables development, but also serves as an opportunity for individuals to receive positive feedback and celebrate their achievements.

We are always keen to recognise and reward the hard work and successes of our employees. In 2021 we introduced Long-Term Incentive Plans (LTIPs) for senior managers and rolled out a Share Incentive Plan (SIP) for all employees in 2021, issued formally in January 2022.

HEALTH AND WELLBEING

In light of the ongoing COVID-19 pandemic, we broadened the focus of our health and wellbeing initiatives. We have introduced a menopause support service; for any individual who falls within the age group for menopause as categorised by the NHS, or those recognised as suffering from symptoms, we will pay the £250 cost of an appointment through our healthcare provider, Bupa, for an initial appointment and post session check.

We recognised the need to support employees' mental health. We increased our Employee Assistance Programme offering, enabling employees to access 24-hour support through a Bupa helpline. We will also provide access to specialised support for those facing acute mental health issues. Additionally, we enhanced the Bupa and life assurance offerings; life assurance cover was increased from 2 to 3 times the basic salary for all employees.

EMPLOYEES	2021	2020	2019
Employees by employment type			
- Number of full-time employees	242	268	320
- Number of part-time employees	12	9	10
- Number of temporary employees	9	8	6
Diversity and inclusion			
- Number of women at Board level	1	1	0
- Number of women in workforce	85	78	94
- Percentage of women in workforce (%)	32%	29%	29%
- Number of people from ethnic minorities at Board level	0	0	1
- Number of people from ethnic minorities in workforce	15 (declared, not compulsory to complete)	13 (declared, not compulsory to complete)	n/a
Employees internally promoted (%)	5.32%	11.50%	4.30%
Retention rate (%)	98%	82%	n/a
Employees paid a national living wage (%)	100%	100%	100%

ESG Report: Our Customers

'Be the customer': Supporting and safeguarding our customers is critical to the long-term success of Equals. We remain responsive and endeavour to meet our customers' evolving needs. In 2021 we continued to improve the customer journey, engaging regularly, listening to feedback, and putting increased focus upon awareness of customer vulnerability. We are confident in the continued satisfaction of our customers due to the dedication and genuine consideration our employees display during every customer interaction.

CUSTOMER EXPERIENCE AND ENGAGEMENT

"Our staff want to go the extra mile. They truly want to help customers and make sure they are alright. As a team we are constantly listening to our customers, getting their feedback, and making sure our products are working in the best way to support those customers."

Vicky Morris, Customer Operations Manager

In order to be accessible and responsive to our customers, we maintain three key channels for receiving queries:

- phone calls,
- email
- live chat.

We have a target in place to ensure that customers wait no more than 30 seconds before their call is answered and email queries will be responded to within the working day, and, utilise live chat to enable even faster responses from the team.

To ensure our Customer Services Team are best placed to provide the support required, we provide 2 weeks of training for all new employees, followed by ongoing training including support when they begin receiving customer phone calls. Additionally, all customer services employees receive Anti-Money Laundering (AML) and cybersecurity training, and in 2022 will also complete vulnerable customer training. The integration of our online training platform, Meta Compliance, will support this programme, increasing accessibility to the training modules and enabling us to monitor rates of completion and send reminders to employees when necessary.

FEEDBACK

In addition to our three key communication channels, we also receive customer feedback through our Trust Pilot and app review pages, and we reach out to all customers who express dissatisfaction to see if we can improve their experience. We are very proud that both FairFX and Equals Connect are rated as 'Excellent' on Trustpilot. Messages to our social media pages – Twitter and Facebook – are filtered into our ticketing system, so that the team can stay on top of all feedback provided.

We have a robust complaints process in place. Following receipt of a complaint, our key objective is to resolve the issue within three business days and send a summary resolution to the customer. In the event of an issue not being resolved within that time period, the Complaints Executive is brought into both investigate and to advise the customer on the timescale for resolution, to ensure the customer remains informed. We are very proud that our Customer Services Team continues to close 100% of all complaints and that, in 2021, over 85% of complaints across the Group were closed out within 35 business days. If we identify a complaint that we feel has not been dealt with effectively, we conduct a root cause analysis and the Complaints Executive will feedback to the team and provide guidance on where the process could have been improved.

Concurrently, we log dissatisfactions. Whilst these are not complaints, tracking all feedback from customers can drive improvements across the business, as we can identify if an issue (albeit a very small issue) is repeatedly arising and then implement a change to improve our service. Our dedicated AIM channel provides another medium through which both employees and customers can feedback with suggestions. These are reviewed regularly, with an assessment of the resources available to make immediate changes and discussion with the Product Team as to what can be achieved.

There are fortnightly meetings with Customer Services Managers, chaired by the Complaints Executive, in which all ongoing complaints, feedback from completed investigations, and necessary changes to internal processes are discussed. Conduct and reputation risk indicators, including complaints, Trustpilot reviews, and vulnerability, are fed back on a quarterly basis to the Subsidiary Board meetings, and information is also provided to the Group Risk Committee.

An important innovation to our processes in 2021 has been the creation of one central customer identity in our Customer Relationship Management (CRM) system. By centralising this customer information, we aim to improve customers' internal data lifecycle.

ESG REPORT: OUR CUSTOMERS CONTINUED

SAFEGUARDING OUR CUSTOMERS

To ensure the continued protection of our customers we maintain transparent, fair practices and update processes to make sure they are fit for purpose. Our Treating Customer Fairly (TCF) Policy, developed in line with the Financial Conduct Authority's (FCA) Principles, encapsulates the best practice we expect of our employees at all levels of the business, and this is reinforced through our TCF training.

In 2021 we introduced a new policy on the processing of Faster Payments to strengthen security, including updating the personal identifying information we ask for from customers and addressing the value at which payments must be checked before they are processed. The process of updating all our existing policies and procedures is ongoing, as we want to ensure all are in line with Group expectations.

Details of our fees are available on our website and included in our FAQs. In addition to providing annual AML training, there are controls in place in the system to recognise and flag unusual activity, including customers who are potentially being scammed. A member of the team will raise anything suspicious with the Anti-Fraud Manager, who will then consider further action as necessary.

PROTECTING VULNERABLE CUSTOMERS

"Our objective is to embed customer vulnerability awareness across all streams of the business to make sure that we are considering vulnerability from product inception, right through to our direct communications with customers. We recognise that vulnerabilities are complex – there is not a one size fits all solution, and instead we must adapt our service to effectively support each customer."

Helen Griffiths, Complaints Executive

In line with FCA principles, we made significant efforts to increase awareness for customer vulnerability. Instrumental was the development of a new Vulnerability Policy, that provides guidance on:

- how we define and identify vulnerable customers,
- outlines the processes in place to support these individuals,
- specifies the roles, responsibilities and oversight in relation to vulnerability.

Alongside this, we have developed Vulnerable Customer Training; this was delivered to customer-facing senior managers in 2021 and will be rolled out to the rest of the Group in 2022.

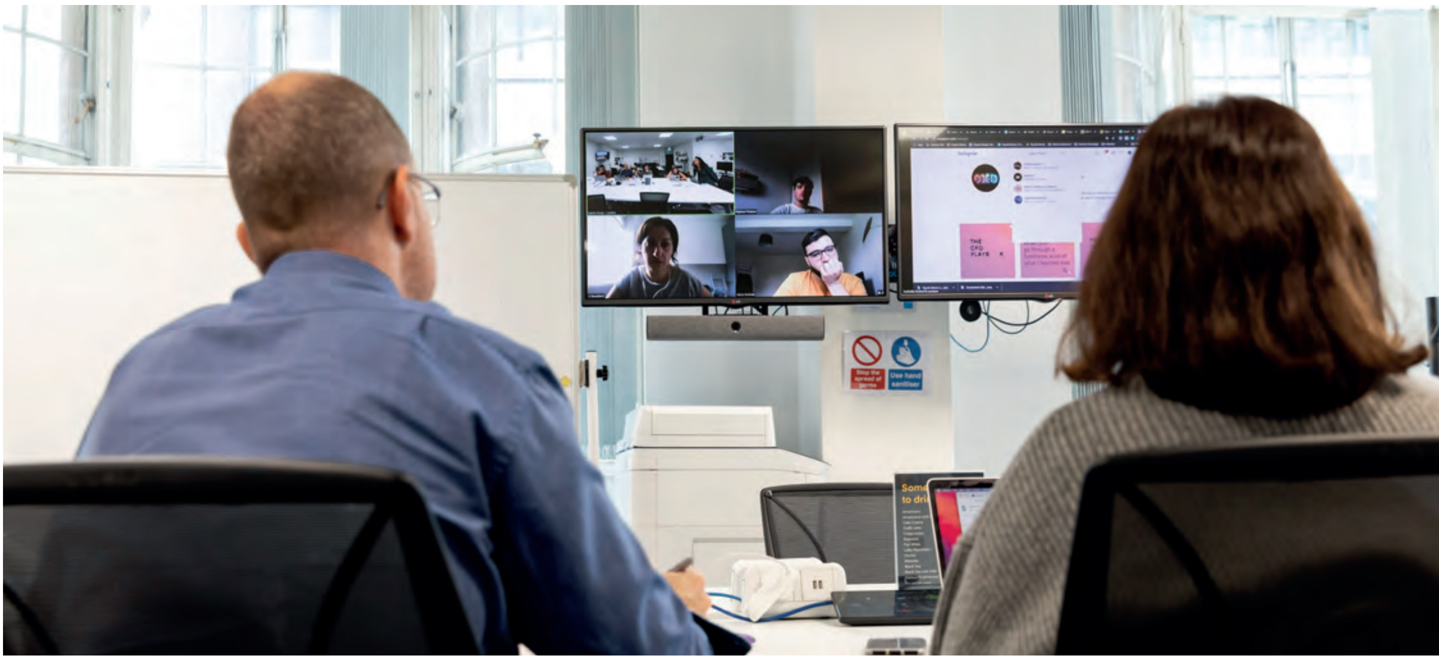
Training is comprehensive, tackling the multifaceted nature of vulnerability and the plethora of risk factors that can affect a customer's ability to make informed decisions and manage their money. Important considerations include whether a vulnerability is temporary or permanent, and whether the customer wants to be identified as vulnerable at all. The training examines how to identify and report vulnerabilities internally to ensure customers receive the tailored support they require, and also covers the risk of suicide protocol.

Responding to customers with complex vulnerabilities can be emotionally challenging. Therefore, while we want our employees to be equipped with the right skills and understanding to support customers, we also emphasise the importance of their own wellbeing. All employees can access support through our Employee Assistance Programme, Healthy Minds, and are encouraged to reach out to their managers for advice and support.

CUSTOMERS	2021	2020
Trust Pilot scores		
- FairFX	4.6	4.6 - 'Excellent'
- Card One Money	4.6	4.6
- Equals Connect	4.9	4.9 - 'Excellent'
Training		
- Number of hours of customer services training available	25+ hours	25+ hours
Calls		
- Calls answered within 30 second target (%)	80%	80%

ESG REPORT: OUR CUSTOMERS CONTINUED

	2021	2020	2019
Percentage of complaints closed (%)			
FairFX	100%	100%	100%
Spectrum Payment Services	100%	100%	100%
Fair Payments Limited	100%	100%	no complaints
Equals Connect	no complaints	no complaints	n/a
Percentage complaints closed in less than 35 business days (%)			
FairFX	87%	60%	56%
Spectrum Payment Services	85%	67%	92%
Fair Payments Limited	92%	72%	no complaints
Equals Connect	no complaints	no complaints	n/a



ESG Report: Our Governance

To execute our strategy flawlessly we maintain strong governance practices. In 2021, these practices have become more streamlined and harmonised across the Group.

IT AND DATA SECURITY

As a financial services business, IT and data security is critical; we endeavour to continually improve our cybersecurity procedures and have focussed upon increasing security awareness among our colleagues.

Central to cybersecurity for the business is having robust oversight and effective governance. The importance of IT and data security is driven from the very top of the business, with CEO recognition and direct involvement in cybersecurity matters. The Security Council, Architecture Council and Technical Risk Committee oversee, among other matters, the security design and risk associated with our systems and are all accountable to the Group Board.

There are strong lines of communication between the Executive Team and the Security and Architecture Councils, with regularly scheduled meetings and dedicated channels on the internal communications platform allowing a continual flow of information. There is ever-present Executive and senior management participation at the Technical Risk Committee, which facilitates appropriate communications upwards within the business when required. To support the secure operation of our IT systems, there are a comprehensive series of security policies and procedures in place[1], and employees are updated on any material changes to the policies.

Security Council

Chair: Chief Product Officer

Purpose:

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

Architecture Council

Chair: Head of Architecture

Purpose:

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

Technical Risk Committee

Chair: Head of Infrastructure

Purpose:

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

"We approach cybersecurity from the perspective that no one, no matter if they are internal to the business, is necessarily secure. We scrutinise any proposed initiatives thoroughly, exploring every possibility rather than rushing something just because it seems like a good idea, as we understand that anything can go wrong if it is not properly managed."

Gary Mason, Cybersecurity Manager

Cybersecurity encompasses oversight of all manner of security matters including ensuring Payment Card Industry (PCI) compliance, annual targeted penetration testing, and monthly vulnerability scanning. We conduct an annual audit of our existing technology suppliers to ensure that they are still meeting the required standards. Whenever we engage a new supplier, we run data protection checks, and if the supplier is providing a core service, we conduct an in-depth assessment and the organisation is incorporated into our Business Continuity & Disaster Recovery Procedure, for which the Security Council has signed off.

1 Policies and procedures for IT and data security: Cloud Storage Usage Policy; Computer Usage Policy; Data Classification Policy; Data Protection Impact Assessment Procedure; Data Protection Policy; Data Retention Policy; Instant Messaging Policy; Password Policy; Business Continuity & Disaster Recovery Procedure.

ESG REPORT: OUR GOVERNANCE CONTINUED

CONTINUOUS IMPROVEMENT

IT and data security practices are constantly improved, as we react to developments and implement adjustments to existing systems and procedures to facilitate efficiencies. In the past year, we undertook a number of such actions. The formalisation of a Cybersecurity Manager in 2021, solidifies the seriousness with which we approach IT and data security, and highlights our drive to make security a way of life rather than an add-on to the working day.

In 2021, we commenced the process to achieve ISO 27001 certification. The Chief Technology Officer (CTO) is the Executive Sponsor of the initiative, and it is being driven by the Cybersecurity Manager. The gap analysis day took place in October, conducted by our external certifying approver, with the objective to become accredited by the end of 2022.

To ensure that concerns flagged are dealt with effectively and efficiently, employees that raise an issue are now invited to attend the Security Council meetings which means that the issue is articulated to the Council first-hand. We will also simplify the issue identification and information sharing process to enable ease of use and understanding.

As internal employee actions pose the greatest risk to IT and data security, the overarching objective is to raise awareness for cybersecurity across the Group. We have begun targeted phishing campaigns on our own staff to improve awareness and reduce the risk of employees clicking through on suspicious emails.

All employees must complete annual security awareness, general cyber and data security, GDPR and AML training. With the integration of our new online training platform, Meta Compliance, we can monitor levels of training completion, and push out reminders via email and our internal communications platform. We will be introducing security awareness training as part of our onboarding process for new employees. Meta Compliance will also enable the setting of KPIs to measure ongoing performance, as well as monthly mini-training sessions on different IT and data privacy topics.

PRIVACY OF CUSTOMER DATA

We handle sensitive customer information, thus our data privacy practices are of paramount importance, and we approach all data security scenarios from the perspective that no employee is necessarily secure. We have two-factor authentication for all systems that contain customer data. Where an employee must use a personal device for work, we require the use of remote sessions to ensure that information cannot be exported. Customers are also kept informed of the information we will ask from them, to mitigate the risk of external parties accessing their data whilst posing as an employee of Equals.

RISK MANAGEMENT

We increased the capabilities within the risk management side of the business. Fundamental to this has been the onboarding of our new Group Head of Risk and Compliance, who has restructured the risk and compliance framework to ensure that it underpins business operations and supports our financial objectives. There is a risk committee for each operating subsidiary undertaking. There is a Change Council, comprising of senior members of staff, which receives suggested changes and advise on the potential governance, operational, and customer impacts before further investment is approved.

GOVERNANCE AND BUSINESS ETHICS

We continue to strengthen our internal governance and ensure we are conducting business correctly even when we are not being scrutinised. We have created a conduct policy, which will be rolled out in 2022 alongside a wider conduct framework. Using our new online training platform, Meta Compliance, we will also be able to deliver compliance and ethics training more easily.

We have established better feedback loops and our internal knowledge sharing has greatly improved. As a result of our continued harmonisation efforts, we are now better placed as a business for innovation and improvement of the customer experience.

OUR GOVERNANCE	2021	2020	2019
Number of data breaches	–	–	–
Employees completed Meta Compliance Security Awareness training (%)	95.6%	90%	90%
Employees completed Meta Compliance* Anti-Money Laundering training (%)	98.1%	–	–
Employees completed Meta Compliance GDPR training (%)	74.6%	–	–

* Meta Compliance was launched in Q4 2022; training provided in 2021 was a mixture of an online module and in-person training with internal and external providers.

ESG REPORT: OUR GOVERNANCE CONTINUED

OUR IMPACT

'Go beyond'

We are mindful of the impact we have beyond our direct stakeholders; critically, the environment and the wider society. As an office-based group of companies, we acknowledge that our direct environmental impact is limited. Nevertheless, we are continuing to push forwards on sustainable initiatives and understand where our key areas of impact lie. We also strive to support local communities and charitable initiatives, giving our time and donations wherever possible.

Environmental impact
We have two offices; London and Chester.

Our London office in Vintners Place building is managed in accordance with our landlord CBRE's sustainability policy which champions recycling and low-emission practices.

At our Chester office, we have a number of initiatives aimed at reducing negative environmental impacts. In 2021 we changed our energy provider to guarantee that 100% of our energy comes from renewable sources – and this also represented a cost-saving for the business. We continue to employ an environmental waste service that separates all our recycling and burns waste to feed energy back into the grid. As well as incentivising environmentally friendly travel to work through our Cycle to Work scheme, our offices have bike storage and electric vehicle charging points.

We started our paper-free initiative in 2020, identifying where the use of paper can be eliminated. We have continued to reduce the quantity of copier paper ordered, however, due to the relaunch and rebranding of Card One Money, the amount of headed paper ordered increased for 2021. Our ongoing partnership with Wales Recycles enables us to donate unused or retired devices to be wiped or refurbished and then given to local schools and underprivileged members of the community.

We conducted an Employee Carbon Emissions Survey in 2021 to calculate the average carbon footprint of our employees whilst at work. This has allowed us to offset the individual carbon footprints of our entire workforce. While we are pleased with this outcome, our next step is to assess where energy use and carbon emissions across the business can be reduced,

Responsible procurement
The environmental impact of our supply chain is another important consideration. In 2021 we developed a new due diligence procedure that incorporates ESG criteria; questions address suppliers' own sustainability programmes, whether they screen environmental and social impacts, and how they engage with and determine the interests of their key stakeholders Furthermore, as part of our upcoming assessment into reduction strategies, we will be reviewing the practices of our suppliers.

Giving back to the community
In considering our societal impact, we want to give our employees the opportunity to get involved. We support employees in their endeavours, making a number of charitable donations and allowing the workforce to select charities that will receive the Company's donations. Part of our forward-looking strategy is to formalise our Corporate Social Responsibility (CSR) programme, to enable employees to volunteer within working hours and offer their time and expertise for the benefit of local voluntary and community groups. We are engaged with School21, where we take students from a school in Stratford, East London, to gain experience in FinTech. This was paused due to Covid-19 but we've kept in touch and plan to relaunch in 2022.

OUR IMPACT	2021	2020	2019
Total employee carbon footprint offset	346 tonnes*	n/a	n/a
Number of devices donated	15	–	–
CHESTER OFFICE			
Energy use			
- Total energy use (KwH)	42,875**	75,100	n/a
Paper use			
- Number of sheets of headed paper ordered	>40,000***	20,000	40,000
- Number of sheets of copier paper ordered	7,000	25,000	152,500
LONDON			
Paper use			
- Number of sheets of paper ordered	2,500	3,000	45,000

* *Represents in 2021 51 days of offset at 10 tonnes per employee per year.*
** *Direct measurement basis used. Vintners place not included as a result limitations of any allocation methodology, due to shared office space.*
*** *This figure is higher for 2021 due to a product relaunch and rebranding.*

Report of the Audit Committee

for the year ended 31 December 2021

The Company's Audit Committee ("the 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. The 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 including a continued focus on data governance and operational resilience.

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 and safeguarding). The Group has well-resourced compliance and risk operations but given its size does not have an internal audit function.

COMMITTEE COMPOSITION

The Audit Committee is chaired by Sian Herbert and includes Non-Executive Director Christopher Bones. Other meeting attendees during the year included members of the external audit team, Non-Executive Director Alan Hughes, Ian Strafford-Taylor, CEO; Richard Cooper, CFO; and other members of the finance team.

ROLES AND RESPONSIBILITIES

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

1. Financial reporting

a. consider the areas of risk and what is done to optimise these risks and ensure that these are communicated to the external auditor;

b. review significant financial reporting judgements and the application of accounting policies, including compliance with the accounting standards;

c. ensure the integrity of the financial statements and their compliance with UK company law and accounting regulations;

d. ensure the Annual Report and financial statements are fair, balanced and understandable, and recommend their approval to the Board;

e. monitor the integrity of announcements containing financial information.

2. Internal controls

a. monitor adequacy and effectiveness of the internal financial controls and processes, and ensure any material shortcomings are rectified at the earliest opportunity;

b. where appropriate, ensure compliance with the where appropriate, ensure compliance with the UK Corporate Governance Code, Quoted Company's Alliance Code, Information Commissioner's Office, HMRC and the Financial Conduct Authority's relevant regulatory framework

3. Risk management

a. review and provide oversight of the processes by which risks are identified, evaluated, managed and optimised by the Risk Committee

4. External audit

a. manage the relationship with the Group's external auditor;

b. monitor and review the independence and performance of the external auditor and formally evaluate their effectiveness;

c. review the policy on non-audit services carried out by the external auditor, taking account of relevant ethical guidance;

d. review, consider 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 2020 Annual Report and Consolidated Financial Statements, and recommended that both be approved by the Board;
- Reviewed the projected cash flow forecasts and sensitivity analyses as prepared by the Chief Financial Officer; as a result, the Committee concluded the business should be considered a going concern, and the financial statements should be prepared as such.

EXTERNAL AUDIT

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

REPORT OF THE AUDIT COMMITTEE CONTINUED

European Union and had been prepared in accordance with the Companies Act 2006. Their enquiries covered regular management and KPI reporting, analytical review and sign off on key control accounts;

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

OTHER

- Ensure compliance with laws and regulations including money laundering.

GOVERNANCE

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

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

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

ENGAGEMENT OF THE EXTERNAL AUDITOR AND TENURE

PricewaterhouseCoopers LLP was appointed as an external auditor following an audit tender process in 2019. As a matter of course, PwC is 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 audit fees payable to the external auditor. A summary of fees paid to the external auditor is set out in note 5 to the financial statements. The external auditor confirmed its independence as auditor of the Group through written confirmation to the Group.

EXTERNAL AUDIT EFFECTIVENESS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

REPORT OF THE AUDIT COMMITTEE CONTINUED

CONFLICTS OF INTEREST

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

SIGNIFICANT ISSUES

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

POST YEAR END

The Audit Committee has continued the above activities in 2022. Focusing on:

- The 2021 Annual Report and Consolidated Financial Statements, and the Committee has recommended that both be approved by the Board;
- A review of the Cash Flow forecast statement as overseen by the Chief Financial Officer.

S. Herbert

SIAN HERBERT
Chair of the Audit Committee
29 March 2022

Report of the Risk Committee
for the year ended 31 December 2021

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

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

Risk	Description of Risk	Control / Mitigation
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 • Introduced new comprehensive training modules through Meta Compliance covering Cyber/ Security Risk and Data Protection.
Business Continuity/ Disaster Recovery	Business disruption and potential business failure	• Detailed Business Continuity Plan and Disaster Recovery Plan tailored to each entity • Regular testing of the above plan • Increased adoption of cloud-based services (AWS)
Fraud	Financial loss, reputational risk, potential to lose customers and reduce growth, supplier chain risk	• Senior management awareness • Staff training • Fraud reporting to Risk Committee • Automated transaction monitoring • Appropriate people in fraud roles to oversee and manage risk
Banking arrangements and relationships	• Loss in one or more banking partners could result in disruption and eventual business failure • Loss of Agency Banking services	• From February 2019, the Group became a direct member of Faster Payments and have banking arrangements with the Bank of England which mitigates the risk of losing agency banking services • Group partnered with Citi Commercial Bank in July 2019 and entered 5-year agreement with Mastercard in September 2019 • In April 2021 the group launched the connected BIC (Swift) that allows the group to open own named IBANs for the benefit of collecting and allocating funds efficiently.

REPORT OF THE RISK COMMITTEE CONTINUED

Risk	Description of Risk	Control / Mitigation
The Group faces significant competition	A reduction to competitive advantage resulting in slower business growth and ultimately financial loss	• Engineering development to maintain research & development and innovation • New products • Improved CX to enhance usability of products - IT development to maintain research & development and innovation • Maintain relationship and traffic from key price comparison sites • Quality of people in business • Maintain the Group's reputation • Investment in marketing and product development • Increased investment in IT development • Increased sales development • Review of costs to ensure cost efficiency • Development of the Solutions line that will create bespoke payment and cash management services for global clients.
Operational liquidity	• Ability to settle trades in the correct currencies as they fall due • Incorrect hedging resulting in cashflow needlessly being tied up in foreign currency or overdrawn accounts	• Operational monitoring through controls in trading platforms and strict hedging policies and controls • Automated hedging platform augmented by human oversight • FIX engine links to liquidity providers • Daily reconciliations of FX positions
Failure of key suppliers impacts performance	Loss of productivity, potential to lose customers and reduce growth.	Carry out regular review of supplier performance and seek alternatives where necessary
Macro environment including impact of Brexit	Loss of revenue, operational resilience	Monitor key performance indicators, increased controls on expenditure and large single expenditure commitments
IT platform re-build	Out of date technology which results in development delays	Re-platform tech stacks in more modern computer language and move away from on-premises solution to cloud
Liquidity	Unable to meet liabilities as they fall due	• Weekly reporting of prior week cash movements • Regular cashflow forecasts run with sensitivities • Longer term budgets and forecasts
Regulatory compliance	• Emerging regulations and adherence to existing regulations • Non-compliance: fines; sanctions; prison and reputational risk	• Review and update Group policies and procedures. • Review of new statutes and financial regulation. • Annual regulatory audits by expert third parties. • Annual staff training.
Governance	• Lack of Board oversight leading to failure to fulfil legal and regulatory responsibilities	• Regular Board and Committee meetings

BREXIT

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

REPORT OF THE RISK COMMITTEE CONTINUED

COVID-19

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

- Continued to closely monitor the business areas assessed as vulnerable (mainly retail travel products),
- Continued to use the Government's Furlough scheme as appropriate,
- Retained a CBILS loan [see note 18],
- Embedded and enhanced the restructuring plan prepared by the CEO and CFO as needed; and
- Identified customers who might be at risk of default and contacted them immediately. No material default occurred due to COVID-19.

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

RUSSIAN INVASION OF UKRAINE

Following the recent events, the business has taken all actions to ensure full compliance with the sanctions and actions implemented in response to the Russian invasion of Ukraine. The impact of this to the group is not material and accounts that have had historical exposure are all being reviewed. As this is an ongoing situation the compliance and risk team continue to evaluate the situation and will ensure all requirements are implemented as soon as they become specified.

S. Herbert

SIAN HERBERT
Chair of the Audit Committee
29 March 2022

Directors' remuneration report

for the year ended 31 December 2021

This report for the year ended 31 December, 2021 complies with the requirements of the Companies Act 2006, the Group's adopted Corporate Governance Code - the Quoted Companies Alliance Code - and applicable AIM Rules.

Membership of the Remuneration Committee ("Committee") during the year comprised:

- Christopher Bones, Independent Non-Executive Director, appointed 1 May, Committee Chair from I May to 31 December 2021
- Alan Hughes, Independent Non-Executive Director, Interim Committee Chair from 1 January to 30th April 2021, committee member from 1 May to 31st December 2021
- Sian Herbert, Independent Non-Executive Director, 1st January to 31st December 2021

Executive Directors are invited to contribute, and the CEO may be invited to attend. No attendee or member is present for discussion of their own remuneration or for matters that may have a bearing on their remuneration.

During the year the Remuneration Committee were advised by MM&K LLP on the issue of long-term incentive awards and shared-based remuneration as well as the levels of Executive Director remuneration. The cost of this advice was £67,390. A further £17,100 was incurred in relation to accounting advice and custodian fees, and the total of £84,490 has been reported in the financial statements as "share option charges" and disclosed separately.

REMUNERATION POLICY

In 2021, the Committee undertook a full review of remuneration policy for the Executive Directors, and of the principles that underpin the Group's overall approach to remuneration of its senior executives and the role that share-based rewards play in wider employee rewards.

Its overall policy remains that the potential for total remuneration should, for all roles, be at median to upper levels for companies of a similar size, complexity and growth aspirations. To reinforce this, the Committee has established some key principles to ensure that shareholders are confident that performance-based rewards incentivise growth and encourage behaviours that support our ESG principles and company values; these are:

- Ensure a competitive balance in the remuneration mix between salary and pay 'at risk', with this element being related to performance over both the short and longer-term;
- Ensure that short-term cash incentives are linked to stretching performance measures; and
- Align more remuneration at every level to the shareholder interest through share-based remuneration.

Cognisant of the concerns raised by shareholders in early 2021 over the awards made under the previous group share option plan, the Committee also undertook an overhaul of share-based rewards and implemented a new long-term share remuneration Plan that better aligns with our policy. This Plan provides a single set of principles against which we can make awards to Executive Directors and other key staff.

Within these principles to better align our remuneration with our goals and shareholder interests we also adopted an all-employee 'Share Incentive Plan' which complies with the HMRC rules governing tax-efficient staff participation in share-based rewards.

These plans were the subject of a shareholder consultation exercise in the summer of 2021 in which shareholders representing 60% of the total shares issued were taken through the Plan principles and the proposed awards to be made after its adoption. We were pleased with the clear support received. The key principles of the new share-based rewards framework are fully compliant with the ISS guidelines. In particular:

- All awards will have a minimum three-year vesting period and all awards will be subject to a further two-year holding requirement before they are released to the individual;
- Every award is subject to a 'malus' clause and has clawback criteria that cover both financial and non-financial issues that may come to light after the award;
- Where the award is linked to performance, there will be a minimum threshold above the level of the share-price on the date of award that will need to be achieved prior to the award vesting;
- Awards are capped to limit the value of an award to be no more than 100% of annual cash remuneration with an ability in exceptional circumstances to grant up to 200% on the approval of the Board; and
- Should the Committee decide to award market-value share options then there is the option of setting a cap on the cash value of such awards at the point of vesting.

DIRECTORS' REMUNERATION REPORT CONTINUED

In accordance with these principles, two award plans were introduced in October 2021 (Executive Directors and a key staff retention plan) along with the aforementioned 'Share Incentive Plan' for all staff. The final awards were for the following amounts:

	Number of options/share awards	Recipients
Executive directors performance-based plan	1,250,000	2
Key staff retention plan	2,415,000	36
Share incentive plan*	704,000	176
	4,369,000	

* At the date of grant there were 780,000 shares to be awarded to a total of 195 staff, but in the period from then until the actual subscription, 19 staff left, thus the final number was lower at 704,000.

Non-Executive Directors continue to be excluded from share-based rewards and any other incentives but are encouraged to hold shares. At the date of writing, all three Non-Executive Directors are shareholders.

2021 REMUNERATION

Market Review

The Group operates in a very competitive environment and the recovery in economic activity from 2020, combined with a demand for technology and other specialist skills, has led to pressure on salaries at every level of the Group. This pressure has been the context for a number of the changes made during the year.

Executive Director Salaries

The Executive Director base salaries were reviewed in March 2021 against a comparator group of similar companies and the data from this, along with their performance, led to the base salary of the CEO being increased to £300,000 (2020 £275,000) on 1st April 2021. This followed a year in which the CEO received no increase. The salary for the CFO salary was set on joining in October 2019 and remained at the same level, £250,000, throughout the year.

Both Executive Directors were repaid some of the salary sacrifice from 2020 as were all other employees in April 2021 and August 2021. These repayments were £2,792 for the CEO and £2,583 for the CFO and are reported in the bonus figures below.

Non-Executive Director Fees

There were no changes to the remuneration of Non-Executive Directors.

Short-term Incentives – Annual Executive Director Bonuses

As in 2020, all bonuses have been accrued whether or not the conditions have been met.

The 2020 bonus was paid as follows: 50%, £137,500, April 2021 after the publication of the 2020 Financial Statements. A further 50% the 2020 CEO bonus (£137,500) was deferred, to be released conditional on evidence that the actions taken in 2020 resulted in the continuing strength of the Group's performance. This sum was paid to the CEO in September 2021 after the publication of the Group's half-year results.

The CEO is entitled to a discretionary bonus of 100% of salary in relation to 2021 should all conditions be met. The Committee confirms that all conditions have been met and the sum of £300,000 is immediately payable. In addition, the strength of these results is such that we have agreed to award a further £30,000 payable immediately, giving a total of £330,000.

The CFO is entitled to a discretionary bonus of 80% of salary should all conditions be met. The Committee confirms that all conditions have been met and the sum of £200,000 is immediately payable. In addition, the strength of these results is such that we have agreed to award a further £20,000 payable immediately. giving a total of £220,000.

In addition, the CEO and CFO were also included in one all-employee bonus in December 2021 in recognition for the effort that went into the recovery post the pandemic during the year. These resulted in payments of £2,500 for the CEO and £2,083 for the CFO.

Executive Director Benefits

During the year following a competitive review against peer group companies it was also agreed to provide each of the Executive Directors with a car. This benefit came into effect in April 2021 and has a taxable value for the financial year for the CEO and CFO of £17,844 (Nil in 2020) and £12,493 (Nil in 2020) respectively.

Executive Director Pensions

Both Executive Directors are members of the group workplace pension plan and in 2021 the CFO commuted £40,000 of his bonus into a pension top-up.

DIRECTORS' REMUNERATION REPORT CONTINUED

The table of fees and remuneration for the directors for both 2021 and 2020 is shown below:

	Gross Salary and Fees	Pension	HealthCare Benefits	Car Benefits	Performance related Bonuses	Other bonuses*	Total 2021	Total 2020
Executive Directors								
I A I Strafford-Taylor	291,553	3,515	3,495	17,621	330,000	5,792	651,976	535,661
R Q M Cooper	247,803	3,515	3,495	11,456	220,000	4,667	490,936	427,421
	539,356	**7,030**	**6,990**	**29,077**	**550,000**	**10,459**	**1,142,912**	**963,082**
Comparative for 2020	485,622	7,006	5,454	–	465,000	–	963,082	
Non-Executive Directors								
A Hughes	80,000	–	–	–	–	–	80,000	56,359
S Herbert	65,000	–	–	–	–	–	65,000	18,734
C Bones (appointed 9 April 2021)	40,052	–	–	–	–	–	40,052	–
A Chowdhury (resigned 29 July 2020)	–	–	–	–	–	–	–	21,333
J Pearson (resigned 9 October 2020)	–	–	–	–	–	–	–	59,618
RM Head (resigned 1 October 2020)	–	–	–	–	–	–	–	32,750
	185,052	**–**	**–**	**–**	**–**	**–**	**85,052**	**188,794**
Comparative for 2020	188,794	–	–	–	–	–	188,794	
Total 2021	**724,408**	**7,030**	**6,990**	**29,077**	**550,000**	**10,459**	**1,327,964**	
Total 2020	674,416	7,006	5,454	–	465,000	–	1,151,876	

* Numbers above are represented on an accrual basis. The most significant difference to on a cash basis is relation to bonuses. See note 5b for further details of cash basis.

BONUSES

Performance related bonuses

2021 – represents amounts accrued and approved by the remuneration committee in relation to the 2021 financial year

2020 – Ian Strafford-Taylor was entitled to a bonus for the 2020 financial year equal to 100% of his prevailing salary of £275,000. This was paid in two equal tranches of £137,500 in April 2021 and September 2021. Richard Cooper received a bonus of £190,000 for the 2020 financial year of which £150,000 was paid during 2020 and £40,000 was paid in 2021, commuted via a pension top-up

2019 – an amount of £82,500 relating to part of Ian Stafford-Taylor's bonus for the 2019 Financial year was paid in February 2021.

Other bonuses

The Remuneration Committee agreed to compensate all eligible staff as a reward for the sacrifices they made to help the company through Covid. The Executive directors received treatment on the same basis.

2022 REMUNERATION FOR EXECUTIVE DIRECTORS

There has been a review of the base salaries for the Executive Directors for 2022 the results of which are shown below:

CEO Salary of £300,000 raised to £350,000 from 1 April 2022

CFO Salary of £250,000 raised to £285,000 from 1 January 2022

For the 2022 financial year, both the CEO and CFO have the opportunity to earn up to 120% and 96% of their salaries respectively. The bonus criteria are associated with the achievement of targets set for revenue, cash and operating margin. Payments in excess of 100% for the CEO and 80% for the CFO are linked to levels of performance significantly ahead of market expectations. None of this bonus entitlement will be payable before the publication of the audited financial statements for 2022. The 2022 financial statements will however accrue whatever award the Remuneration Committee decide on.

LONG TERM INCENTIVES

All employees

In line with the Group's stated ambition to extend alignment with shareholder interests to all employees, the Group all-employee 'Share Incentive Plan' referred to above made awards in September 2021 to all employees with a length of service of 12 months or more. Each employee received the same award of 4,000 shares. This plan has a vesting period of three years, in line with HMRC guidelines.

DIRECTORS' REMUNERATION REPORT CONTINUED

Key Staff

Part of the Group's response to the general pressures in the market was the launch of a key staff retention plan issued under the 2021 share-based remuneration policy principles and framework. Aimed at senior staff who are accountable for our product, growth and operational effectiveness, this plan supports the retention of key talent and only vests should the recipient be in employment a full three years after the award. Recipients are all subject to a further two-year holding period. The Committee, following input from its advisors, came to the conclusion that this is a more effective approach than a salary or cash-based response to pressures it believes are only going to intensify as the economy recovers.

Executive Directors

The changes noted above in share-based remuneration have been applied when making Executive Director's long-term incentive awards in 2021. The awards were restricted share awards with performance criteria (see below). The nature of this award reduces dilution for shareholders and provides the Committee with the opportunity to model the potential cash award on vesting based on publicly available market forecasts and to aim for these to be no more than 100% of total remuneration should forecasts be exceeded by a significant amount.

As the table below shows, there is now a two-year holding period on top of a three-year vesting period that applies to awards made in 2021 and this will apply to any made going forward.

Directors' interest in long term incentive plan share options as at 31 December 2021 was:

Director award date	Option price (£)	Number Granted	Date of Grant	Earliest Exercise date	Latest exercise date
Ian Strafford-Taylor					
28/07/2014	0.22	192,950	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,789,300	28/07/2014	05/08/2016	03/11/2022
28/07/2014	0.36	1,535,750	28/07/2014	05/08/2016	03/11/2022
28/09/2016	0.30	250,000	28/09/2016	28/09/2017	27/09/2026
28/09/2016	0.30	250,000	28/09/2016	28/09/2018	27/09/2026
28/09/2016	0.30	250,000	28/09/2016	28/09/2019	27/09/2026
01/09/2020	0.29	666,667	01/09/2020	30/04/2021	01/09/2030
01/09/2020	0.29	666,667	01/09/2020	30/04/2022	01/09/2030
01/09/2020	0.29	666,666	01/09/2020	30/04/2023	01/09/2030
Richard Cooper					
01/09/2020	0.29	333,333	01/09/2020	30/04/2021	01/09/2030
01/09/2020	0.29	333,333	01/09/2020	30/04/2022	01/09/2030
01/09/2020	0.29	333,334	01/09/2020	30/04/2023	01/09/2030
		7,268,000			
Share Incentive Plan					
Ian Strafford-Taylor					
18/10/2021	0.01	4,000	18/10/2021	18/10/2024	18/10/2031
Richard Cooper					
18/10/2021	0.01	4,000	18/10/2021	18/10/2024	18/10/2031
		8,000			
Long-Term Incentive Plan					
Ian Strafford-Taylor					
18/10/2021	0.01	750,000	18/10/2021	18/10/2024	18/10/2031
Richard Cooper					
18/10/2021	0.01	500,000	18/10/2021	18/10/2024	18/10/2031
		1,250,000			
Total		**8,526,000**			

DIRECTORS' REMUNERATION REPORT CONTINUED

As well as the principles above, the vesting criteria for the 2021 awards include a minimum share-price threshold above the price on the date of grant; the eventual amount awarded from the grant made will be driven by revenue growth, growth in active B2B customers and performance against EPS targets. In addition, the final award will be assessed against progress against a range of ESG matters including the effectiveness of our compliance operations.

Options vested by 30 April 2022.

A total of 5,601,334 options for Ian Strafford-Taylor had vested by 30 April 2022, leaving, 1,420,666 unvested at that date.

A total of 666,666 options for Richard Cooper had vested by 30 April 2022, leaving, 837,334 unvested at that date.

The total number of shares used for the calculation of diluted EPS at 31 December 2021 was 3,553,681 (31 December 2020: Nil).

PROFESSOR CHRISTOPHER BONES
Chair of the Remuneration Committee
29 March 2022

Directors' report
for the year ended 31 December 2021

Equals Group PLC is a company limited by shares. The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2021.

FINANCIAL REPORTING

The consolidated financial statements of Equals Group PLC for the year ended 31 December 2021 are set out on pages 70 to 105. These have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

PRINCIPAL ACTIVITIES

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

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

KEY PERFORMANCE INDICATORS

The Strategic Report set out on pages 5 to 29 provides key performance indicators and an assessment of the Group's financial performance throughout the year.

RELATIONSHIP WITH EMPLOYEES

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

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

Further details of the Group's relationship with its employees can be found in the Section 172 statement on page 28 and in the ESG report on page 36.

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Group recognises that strong relationships with customers and fair dealings with its suppliers are key to its success as a business. Further details of how this is applied in practice can be found in the Section 172 statement in the Strategic Report on page 28.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

DIRECTORS

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

I A I Strafford–Taylor
R Q M Cooper
A R F Hughes
S A Herbert
C J Bones (appointed 9 April 2021)

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2021 held the following shares in the Company as at that date:

	Ordinary 1p	
	Shareholding %	shares 2021
I A I Strafford-Taylor	1.21%	2,177,750
R Q M Cooper	0.08%	150,000
S A Herbert	0.03%	54,800
A R F Hughes	0.02%	34,000
C J Bones	0.003%	4,500

The Directors who held office at 31 December 2021 held the following unexercised share options in the Company as at that date:

	Option price (£)	Number Granted	Date Granted
I A I Strafford-Taylor	0.22	192,950	28/07/2014
	0.36	1,789,300	28/07/2014
	0.36	1,535,750	28/07/2014
	0.30	750,000	28/09/2016
	0.29	2,000,000	01/09/2020
	0.01	754,000	18/10/2021
R Q M Cooper	0.29	1,000,000	01/09/2020
	0.01	504,000	18/10/2021

DIRECTORS' REPORT CONTINUED

INDEMNITY INSURANCE

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

CAPITAL STRUCTURE

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

Name	No. of Ordinary Shares held	Percentage of issued capital
Pembar Limited	24,889,833	13.82%
Crystal Amber Fund Limited	23,295,000	12.94%
Schroders Funds	10,549,500	5.86%
Threadneedle Asset Management	9,017,652	5.00%
Jo Hambro Capital Management	9,000,000	4.99%
Stephen Heath	8,648,341	4.80%
Hargreaves Lansdown	7,589,414	4.22%
Christian Levett	7,069,344	3.96%

ENVIRONMENT

Carbon dioxide emission data has been collected for 2021 and disclosed within the ESG report. This along with further information on environmental matters can be found in the ESG report on pages 36 to 48.

RESEARCH AND DEVELOPMENT

The Group has continued its investment in research and development throughout the year. A review of the work undertaken can be found in the Chief Executive's Report on pages 7 to 14.

RISK AND RISK MANAGEMENT

The Group is exposed to various financial and operational risks. Further details of these, including processes put in place to mitigate these risks, are disclosed in the Risk Committee Report on pages 52 to 54 and note 21 of the financial statements.

INDEPENDENT AUDITORS

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

POST BALANCE SHEET EVENTS

There have been no post balance sheet events from the balance sheet date to the date of signing which require separate disclosure.

FUTURE DEVELOPMENT

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 5 to 29.

DIRECTORS' REPORT CONTINUED

GOING CONCERN

Based on the Group's budgets and financial projections, the Directors are satisfied that the business is a going concern and therefore the financial statements have been prepared on a going concern basis. This assessment is based on whether there is sufficient liquidity and financing to support the business, the post balance sheet trading of the Group, the regulatory environment and the effectiveness of risk management policies. Management has sensitised its base case, assumed certain business lines might be discontinued and examined the truncating of product development expenditure. The Group is satisfied with the adequacy of its cash position. Further details of post balance sheet trading and position can be found in the Chairman's Statement on page 6.

The Directors' Report was approved by the Board on 29 March 2022 and signed on its behalf by:

IAN STRAFFORD-TAYLOR
Chief Executive Officer
29 March 2022

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

for the year ended 31 December 2021

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Equals Group Plc annual report for the year ended 31 December 2021 and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations
The directors consider that the Equals Group Plc annual report for the year ended 31 December 2021 and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

IAN STRAFFORD-TAYLOR
Chief Executive Officer
29 March 2022

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 2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: consolidated and company statements of financial position as at 31 December 2021; 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.

Our opinion is consistent with our reporting to the audit committee.

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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Overview

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

- Capitalisation of IT development costs (Group)
- Carrying value of goodwill (Group and Company)

- Overall group materiality: £440,914 (2020: £241,660) based on 1% of total revenue.
- Overall company materiality: £440,914 (2020: £22,485) based on 1% of total assets (2020: 1% of total expenses) capped at the overall group materiality.
- Performance materiality: £330,686 (2020: £181,245) (group) and £330,686 (2020: £16,864) (company).

The scope of our audit

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

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

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.

Considering the impact of Covid-19 (Group and Company), which was a key audit matter last year, is no longer included because of changes in risk assessment. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of IT development costs (Group) The Group's disclosures are provided in Note 10 'Intangible assets and goodwill' and the related accounting policies applied are detailed in Note 3.13. Management's judgements in the application of the accounting policy is disclosed in Note 3.26(i). The Group capitalises, as intangible assets, certain expenditure on the development of systems and infrastructure designed to support its business strategy. Determining whether expenditure qualifies for capitalisation requires judgement and the total expenditure capitalised in the financial year ending 31 December 2021 amounts to £4.5m. The carrying value of software assets was £23.4m at the end of the period. When capitalising costs, management determines whether it is probable that expected future economic benefits are attributable to the asset, the cost or value can be reliably measured, and the nature of expenditure qualifies for capitalisation under the accounting standards. Additionally, the determination of costs, particularly salaries and other personnel related costs, that meet the criteria in IAS 38 Intangible Assets to be capitalised is subjective. The Group's estimates included determining the extent of time spent by employees performing IT and non-IT roles in developmental activities and whether all costs were directly attributable to the relevant projects.	We performed the following substantive audit procedures over the capitalised IT development costs: • We evaluated the design and implementation of key controls around the capitalisation of internally generated intangible assets. • For a sample of projects to which costs have been capitalised, we obtained and evaluated management's assessment of the nature, feasibility and probably economic benefit expected from the intangible asset. • We obtained a breakdown of the capitalised IT development costs and evaluated whether the nature of expenses meet the criteria in IAS 38 Intangible Assets to be capitalised. • For a sample of IT development cost capitalised, we obtained supporting documentation to corroborate the value and the nature of the expenditure and assessed whether it met the criteria for capitalisation. • We recalculated the amounts capitalised and tested the reliability of data used within the calculation. Based on the procedures performed and evidence obtained. With respect to the IT development costs capitalised during the current financial period we found it to be reasonable and materially compliant with the requirements of IAS 38 Intangible Assets.

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group and Company) The Group's disclosures are provided in Note 10 'Intangible assets and goodwill' and the related accounting policies applied are detailed in Note 3.13. Management's judgements in the application of the accounting policy is disclosed in Note 3.26B. The Group has £13.5m of goodwill on the balance sheet as at 31 December 2021 (£15.1m at 31 December 2020). An impairment test was performed by management, with supporting sensitivity analysis, using the higher of value in use ('VIU') and fair value less cost to sell. The recoverable amount of each cash generating unit ('CGU') was predominantly determined using the VIU model, unless it believed that fair value less cost to sell would result in a higher recoverable amount for any cash generating unit ('CGU'). Management recognised an impairment of £1.6m relating to the Travel Cash CGU following the impairment assessment performed. The methodology applied by management is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, experts engaged by management and market data. The significant assumptions that we focused our audit on were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. Specifically, these included valuation multiples used, forecast revenue and costs and discount rates.	We performed the following substantive audit procedures over managements' impairment assessment: • We evaluated managements' identification and allocation of goodwill and other assets to CGUs based on our understanding of the business; • We obtained managements' impairment assessment calculations and tested the forecast cash flows to the latest approved board plans. • Evaluated the key assumptions in the forecasts, and evaluated the evidence provided to corroborate them with a focus on revenue growth and costs. • We challenged, and agreed to supporting evidence where available, the Group's assumptions used in particular relating to the valuation multiples and discount rate applied. • Assessed whether the cash flows included in the model were in accordance with the relevant accounting standard; • Assessed the sensitivity of the VIU to reasonable variations in significant assumptions; and • We tested the mathematical accuracy of the calculations used to estimate the recoverable amounts for each CGU. Based on the procedures performed and evidence obtained, we found management's conclusions to be reasonable and 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.

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

Materiality

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

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:

	Financial statements - Group	Financial statements - Company
Overall materiality	£440,914 (2020: £241,660).	£440,914 (2020: £22,485).
How we determined it	1% of average revenue over the last three years	1% of total assets (capped at the overall materiality for the group)
Rationale for benchmark applied	The Group is very focused on expansion through acquisition and organic growth. Revenue has been determined to be a key measure of financial performance for the Group and therefore has been used to determine materiality. A 3-year average revenue amount was used as the benchmark in the prior year for the group financial statements. This was determined more appropriate as a result of the COVID-19 pandemic, and the related uncertainty and impact on the 2020 financial year across the industry. As the markets have normalised, we have reverted back to the benchmark used prior to the 2020 financial year.	The entity's assets predominantly consist of investments in their subsidiaries and are a benchmark for financial statement users to measure the entity's scale and how they operate their business. Total assets has been determined to be a key measure and has been used to determine materiality. Additionally, we used total operating expenses as the benchmark in the prior year for the company financial statements. The basis for determining materiality was re-evaluated and Total assets was determined to be a more appropriate benchmark as it indicates more reasonably the investments within the holding company which is driven by the group's strategies.

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 £3,601 to £440,914.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £330,686 (2020: £181,245) for the group financial statements and £330,686 (2020: £16,864) for the company financial statements.

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

We agreed with the audit committee that we would report to them misstatements identified during our audit above £22,046 (group audit) (2020: £12,083) and £22,046 (company audit) (2020: £1,124) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, Alternative Investments Market ('AIM') Listing Rules, Pensions legislation, Anti-Money Laundering legislation and UK tax legislation, and we considered the

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

extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to misstate revenue or reduce costs through incorrect capitalisation, creation of fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining confirmations from third parties to confirm the existence of a sample of transactions and balances; and
- Identifying and testing journal entries meeting specific fraud criteria, including those posted with certain descriptions, posted and approved by the same individual, backdated journals or posted by infrequent and unexpected users.
- Review of correspondence with and reports to the regulators, including the PRA and FCA;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to capitalisation of costs to internally generated intangible assets and the impairment of goodwill and intangible assets (see related key audit matters above);

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

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

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

We were appointed by the directors on 12 September 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2019 to 31 December 2021

D Brydon

DANIEL BRYDON
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 March 2022

Financial statements

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Gross value of all transactions*1	3.4	6,529,034	3,492,671
Revenue on currency transactions		38,424	23,849
Banking revenue		5,667	5,110
Revenue	4	44,091	28,959
Transaction and commission costs		(20,071)	(10,670)
Gross profit		24,020	18,289
Administrative expenses	5	(18,499)	(21,040)
Depreciation charge	8/9	(1,398)	(1,427)
Amortisation charge	10	(5,812)	(4,347)
Impairment charge	10	(1,638)	–
Acquisition expenses	5j	–	(130)
Total operating expenses		(27,347)	(26,944)
Adjusted EBITDA*2		6,713	1,164
Operating loss		(3,327)	(8,655)
Finance costs		(490)	(391)
Loss before tax		(3,817)	(9,046)
Tax credit	6	1,555	2,109
Loss after tax		(2,262)	(6,937)
Attributable to:			
Owners of Equals Group PLC		(2,424)	(6,919)
Non-controlling interest		162	(18)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		–	6
Total comprehensive loss for the year		(2,262)	(6,931)
Attributable to:			
Owners of Equals Group PLC		(2,424)	(6,913)
Non-controlling interest		162	(18)
Loss per share			
Basic	7	(1.35)p	(3.87)p
Diluted	7	(1.35)p	(3.87)p

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

*2 *Adjusted EBITDA is not a GAAP measure and represents operating loss before share option charges, depreciation, amortisation and separately identifiable items (exceptional items).*

All income and expenses arise from continuing operations.

The notes on pages 76 to 105 form an integral part of these financial statements.

Consolidated and Company Statement of Financial Position

as at 31 December 2021

		Group		Company	
	Note	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	1,257	1,646	–	–
Right of use assets	9	4,874	6,061	–	–
Intangible assets and goodwill	10	30,960	34,850	–	–
Deferred tax assets	6	949	3,193	1,163	744
Investments	11	–	–	61,978	61,707
		38,040	45,750	63,141	62,451
Current assets					
Inventories	13	168	194	–	–
Trade and other receivables	14	8,256	9,586	339	274
Current tax assets	6	397	1,367	–	–
Derivative financial assets	20	2,593	3,019	–	–
Cash and cash equivalents	15	13,104	10,032	–	–
		24,518	24,198	339	274
TOTAL ASSETS		62,558	69,948	63,480	62,725
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	16	1,793	1,786	1,793	1,786
Share premium		53,218	53,003	53,218	53,003
Share-based payment reserve		1,858	1,402	1,580	1,402
Other reserves	17	8,609	8,609	3,187	3,187
Accumulated losses / Retained earnings		(24,590)	(22,259)	1,623	(1,625)
Company profit / (loss) in the year		–	–	(692)	3,155
Equity attributable to owners of Equals Group Plc		40,888	42,541	60,709	60,908
Non-controlling interest		263	101	–	–
		41,151	42,642	60,709	60,908
Non-current liabilities					
Borrowings	18	1,600	2,000	–	–
Lease liabilities	9	4,484	5,509	–	–
Deferred tax liabilities	6	–	3,740	–	–
		6,084	11,249	–	–
Current liabilities					
Borrowings	18	400	–	–	–
Trade and other payables	19	12,002	12,110	2,771	1,817
Current tax liabilities	6	61	–	–	–
Lease liabilities	9	778	897	–	–
Derivative financial liabilities	20	2,082	3,050	–	–
		15,323	16,057	2,771	1,817
TOTAL EQUITY AND LIABILITIES		62,558	69,948	63,480	62,725

The notes on pages 76 to 105 form an integral part of these financial statements.

The financial statements on pages 70 to 75 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf by:

Richard Cooper
Director, Chief Financial Officer

Company Registration number: 08922461

Consolidated and Company Statements of Changes in Equity

for the year ended 31 December 2021

Group	Called up share capital £'000	Share premium £'000	Share-based payment £'000	Accumulated losses / retained earnings £'000	Other reserves (note 17) £'000	Total attributable to owners of Equals Group PLC £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2020	1,786	53,003	1,345	(15,340)	8,603	49,397	119	49,516
Loss for the year	–	–	–	(6,919)	–	(6,919)	(18)	(6,937)
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	6	6	–	6
Other items:								
Share-based payment charge (note 22)	–	–	444	–	–	444	–	444
Movement in deferred tax on share-based payment reserve	–	–	(387)	–	–	(387)	–	(387)
At 31 December 2020	1,786	53,003	1,402	(22,259)	8,609	42,541	101	42,642
(Loss) / profit for the year	–	–	–	(2,424)	–	(2,424)	162	(2,262)
Share-based payment charge (note 22)	–	–	271	–	–	271	–	271
Share options exercised in year	–	–	(93)	93	–	–	–	–
Shares issued in year	7	215	–	–	–	222	–	222
Movement in deferred tax on share-based payment reserve	–	–	278	–	–	278	–	278
At 31 December 2021	1,793	53,218	1,858	(24,590)	8,609	40,888	263	41,151

Company	Called up share capital £'000	Share premium £'000	Share-based payment £'000	Accumulated losses / retained earnings £'000	Other reserves (note 17) £'000	Total equity £'000
At 1 January 2020	1,786	53,003	958	(1,625)	3,187	57,309
Profit for the year and total comprehensive income	–	–	–	3,155	–	3,155
Share-based payment charge (note 22)	–	–	444	–	–	444
At 31 December 2020	1,786	53,003	1,402	1,530	3,187	60,908
Loss for the year	–	–	–	(692)	–	(692)
Share-based payment charge (note 22)	–	–	271	–	–	271
Share options exercised in year	–	–	(93)	93	–	–
Shares issued in year	7	215	–	–	–	222
At 31 December 2021	1,793	53,218	1,580	931	3,187	60,709

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
Accumulated losses Other reserves comprise:	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.
Foreign currency reserve	Arising on translation of foreign operations

The notes on pages 76 to 105 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

Group	Note	2021 £'000	2020 £'000
Loss before tax		(3,817)	(9,046)
Cash flows from operating activities			
Adjustments for:			
Depreciation	5	1,398	1,427
Amortisation	10	5,812	4,347
Impairment		1,638	–
Share-based payment charge	5	272	444
Decrease / (increase) in trade and other receivables *1		3,614	(400)
(Decrease) / Increase in trade and other payables*2		(2,688)	3,050
Decrease in derivative financial assets	20	426	1,542
Decrease in derivative financial liabilities		(968)	(1,511)
Decrease in inventories	13	26	70
Finance Costs		490	391
Net cash inflow		6,203	314
Tax receipts		1,367	2,539
Net cash inflow from operating activities		7,570	2,853
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(78)	(160)
Acquisition of intangibles	10	(3,560)	(4,531)
Acquisition of subsidiary, net of cash acquired	12	–	(255)
Net cash used in investing activities		(3,638)	(4,946)
Cash flows from financing activities			
New borrowings	18	–	2,000
Principal elements of lease payments	9	(872)	(891)
Interest paid on finance lease	9	(194)	(222)
Interest paid		(14)	(27)
Proceeds from issuance of ordinary shares		220	–
Net cash inflow from financing activities		(860)	860
Net increase/(decrease) in cash and cash equivalents		3,072	(1,233)
Cash and cash equivalents at the beginning of the year		10,032	11,265
Cash and cash equivalents at end of the year	15	13,104	10,032

*1 *The movement in the deferred and current tax assets and the right-of use asset balances (excluding the depreciation charge) is included within the movement in trade and other receivables.*

*2 *The movement in the deferred and current tax liabilities and the lease liability balances is included within the movement in trade and other payables.*

The notes on pages 76 to 105 form an integral part of these financial statements.

Company Statement of Cash Flows
for the year ended 31 December 2021

Company	2021 £'000	2020 £'000
(Loss)/profit before tax	(1,111)	2,650
Cash flows from operating activities		
Adjustments for:		
Increase in trade and other receivables*[1]	(63)	(2,507)
Increase / (decrease) in trade and other payables*[2]	954	(143)
Finance costs	6	–
Net cash outflow from operating activities	(214)	–
Cash flows from financing activities		
Interest paid	(6)	–
Proceeds from issuance of ordinary shares	220	–
Net cash inflow from financing activities	214	–
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	–	–

*[1] *The movement in the deferred and current tax assets and the right-of use asset balances (excluding the depreciation charge) is included within the movement in trade and other receivables.*

*[2] *The movement in the deferred and current tax liabilities and the lease liability balances is included within the movement in trade and other payables.*

The notes on pages 76 to 105 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

1. GENERAL INFORMATION

The Company is a public company limited by shares and incorporated in England and Wales and domiciled in the UK and whose shares are admitted to trading 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 2 (2020: 3) outlets as part of its Bureau de Change retail network in the City of London.

The Company and Group's consolidated financial statements for the year ended 31 December 2021 were authorised for issue on 29 Mar 2022 and the Company and Group's statement of financial position signed by Richard Cooper on behalf of the Board.

2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS

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

- Amendments to References to Conceptual Framework in IFRS Standards
- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022)
- IFRS 17 Insurance Contracts (effective date of 1 January 2023)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective date of 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective date of 1 January 2023)

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

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

On 1 January 2021, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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

Going concern

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

3.2 Basis of consolidation

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

Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

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

Transactions eliminated on consolidation

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

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

3.3 Foreign currency

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

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

3.4 Gross value of currency transactions sold and the gross value of banking transactions

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

3.5 Revenue recognition

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

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

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

Currency Cards – Retail and Corporate

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

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

International Payments and Travel Cash

This service relates to the facility to buy and sell currency. A contract is identified when a payment is approved by the Group and the customer. Performance obligations and transaction prices are set out in the contract. Revenue is recognised on the transaction date for both spot and forward transactions.

Banking

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

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

3.6 Accounting for government grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

3.7 Pension costs

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

3.8 Share-based payments

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

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

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

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

3.9 Research and development

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

3.10 Treatment of research and development tax credits

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

3.11 Taxation

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

3.12 Deferred tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

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

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

3.13 Intangible assets and goodwill

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

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

3.14 Property, plant and equipment

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

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

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

3.15 Investments in subsidiaries

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

3.16 Inventories

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

3.17 Trade and other receivables

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

3.18 Derivative financial assets and liabilities

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

3.19 Offsetting of financial instruments

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

3.20 Cash and cash equivalents

These include cash in hand and deposits held at call with banks. Any cash held on behalf of customers is segregated from operational cash and safeguarded in accordance with our regulatory obligations. The risks and rewards to the Group that arise from the holding of customer money are principally vested

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

with the customers. As a result, the Group does not account for customer cash in the Group's financial statements.

3.21 Trade and other payables

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

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

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

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

3.23 Leases

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

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

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

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

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

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

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

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

There are no variable payment terms in current leases.

3.24 Impairment

A. Non-derivative financial assets

IFRS 9 offers two approaches for measuring and recognising the loss allowance: General and Simplified. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

Trade and other receivables

The Group applies the IFRS 9 Simplified approach, by recognising a loss allowance based on a lifetime expected credit loss ("ECL") at each reporting date.

B. Non-financial assets

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

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

3.25 Director's remuneration

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

3.26 Judgements and estimates

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

A. Judgements

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

(i) Technology development intangibles

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

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

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

(iii) IFRS 16 Leases – incremental borrowing rate

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

B. Assumptions and estimation uncertainties

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

Impairment of goodwill and intangibles

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

Valuation of share options

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

Valuation of derivative instruments

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

Deferred consideration

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

3.27 Measurement of fair values

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

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

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 (both personal and corporate), International Payments, Travel Cash, Banking and Central (which includes overheads and corporate costs). Revenue is primarily derived from UK based customers.

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

Group	Currency Cards £'000	International Payments £'000	Travel Cash £'000	Banking £'000	Central £'000	Total £'000
Year ended 31 December 2021						
Segment revenue	8,642	29,436	346	5,667	–	44,091
Transaction and commission costs	(2,616)	(15,799)	(101)	(1,555)	–	(20,071)
Gross profit	6,026	13,637	245	4,112	–	24,020
Administrative expenses	–	–	–	–	(18,499)	(18,499)
Depreciation charge	–	–	–	–	(1,398)	(1,398)
Amortisation charge	–	–	–	–	(5,812)	(5,812)
Impairment charge	–	–	(1,638)	–	–	(1,638)
Acquisition expenses	–	–	–	–	–	–
Finance costs	–	–	–	–	(490)	(490)
Profit / (loss) before tax	6,026	13,637	(1,393)	4,112	(26,199)	(3,817)
Current assets					24,518	24,518
Non-current assets	6,602	18,258	600	11,631	949	38,040
Total liabilities	–	–	–	(1,744)	(19,663)	(21,407)
Total net assets	6,602	18,258	600	9,887	5,804	41,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

4. REVENUE AND SEGMENTAL ANALYSIS (CONTINUED)

Group	Currency Cards £'000	International Payments £'000	Travel Cash £'000	Banking £'000	Central £'000	Total £'000
Year ended 31 December 2020						
Segment revenue	5,856	17,241	630	5,110	122	28,959
Transaction and commission costs	(2,947)	(6,176)	(274)	(1,356)	83	(10,670)
Gross profit	2,909	11,065	356	3,754	205	18,289
Administrative expenses	–	–	–	–	(21,040)	(21,040)
Depreciation charge	–	–	–	–	(1,427)	(1,427)
Amortisation charge	–	–	–	–	(4,347)	(4,347)
Impairment charge	–	–	–	–	–	–
Acquisition expenses	–	–	–	–	(130)	(130)
Finance costs	–	–	–	–	(391)	(391)
Profit / (loss) before tax	2,909	11,065	356	3,754	(27,130)	(9,046)
Current assets					24,198	24,198
Non-current assets	6,604	19,847	2,595	14,605	2,099	45,750
Total liabilities	–	–	–	(1,755)	(25,551)	(27,306)
Total net assets	6,604	19,847	2,595	12,850	746	42,642

5. OPERATING LOSS

Operating Loss is stated after charging the following operating expenses:

	Note	2021 £'000	2020 £'000
Staff costs (net of expenditure capitalised)	5a	12,550	12,894
IT and telephone cost (net of expenditure capitalised)	5c	1,800	1,299
Other professional fees	5d	1,332	1,645
Marketing costs		1,171	1,206
Property and office costs (net of expenditure capitalised)	5f	822	993
Travel and subsistence		300	233
Other share option related costs		84	–
Other		3	26
Sub-total, cash-based expenses		18,062	18,296
Write-off of card stocks	5g	–	575
Bad debt expense	5g	–	513
Contingent consideration	5h	46	642
Share option charge		272	444
Foreign exchange loss		119	199
Other		–	371
Sub-total, non cash-based costs		437	2,744
Total administrative expenses		18,499	21,040
Depreciation of right of use assets	9	931	940
Depreciation of property, plant and equipment	8	467	487
Amortisation charge		5,812	4,347
Impairment charge		1,638	–
Acquisition costs – staff costs	5j	–	83
Acquisition costs – professional fees	5j	–	47
Total operating expenses		27,347	26,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

5. OPERATING LOSS (CONTINUED)

5A STAFF COSTS

Number of employees

The number of employees (including Directors) was:

	2021 Headcount	2020 Headcount
Administrative staff – average for the year	255	311
Number of staff at the balance sheet date	254	272

Employee costs

	2021 £'000	2020 £'000
Cost of Staff on payrolls	18,074	18,827
Cost of contractors and consultants	656	651
Gross costs	18,730	19,478
Less: categorised in transaction and commission costs	(3,152)	(2,499)
	15,578	16,979
Less: re-categorised as acquisition costs	–	(83)
Less: reported within internally generated software intangibles	(3,028)	(4,002)
	12,550	12,894

	2021 £'000	2020 £'000
Wages and salaries	12,883	12,724
Social security costs	1,437	1,360
Pension costs	566	664
	14,886	14,748
Less: categorised in transaction and commission costs	(3,152)	(2,499)
	11,734	12,249
Employee furlough government grant received	(34)	(546)
	11,700	11,703
Recruiting, training, benefits and similar	850	1,191
Total*	12,550	12,894

*includes £628k (2020: £1,333k) of expenditure identified by the Directors as separately identifiable items. Separately identifiable items are large, one-off items identified by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

5. OPERATING LOSS (CONTINUED)

5B DIRECTORS' REMUNERATION

Company

All bonuses and conditional bonuses, whether the conditions have been made or not, have, from 2021 onwards, been accrued.

CEO bonus

In relation to the 2020 financial year, a bonus of £275k was awarded during 2021. £275k was paid during 2021 and £83k relating to 2019 bonus was paid in 2021.

The CEO is entitled to a bonus of £330k in relation to 2021 should all performance conditions be met. At the date of signing these financial statements, 100% of the conditions have been met and £330k is immediately payable. The full amount of the bonus has been accrued.

CFO bonus

The CFO was awarded and paid a pension contribution of £40k in relation to 2020 and was paid during 2021.

The CFO is entitled to a bonus of £220k in relation to 2021 should all performance conditions be met. At the date of signing these financial statements, 100% of the conditions have been met and £220k is immediately payable. The full amount of the bonus has been accrued.

Year ended 31 December 2021	Gross Salary £'000	Bonus £'000	Employer Pension £'000	Benefits £'000	Total Remuneration Paid £'000
Paid during the year					
Ian Strafford-Taylor	297	358	3	21	679
Richard Cooper	252	–	44	15	311
Sub-total - executives	549	358	47	36	990
Non-Executive Directors					
A R F Hughes	81	–	–	–	81
S Herbert	66	–	–	–	66
C Bones (appointed 9 April 2021)	40	–	–	–	40
Total remuneration paid	736	358	47	36	1,177

Year ended 31 December 2020	Gross Salary £'000	Bonus £'000	Employer Pension £'000	Benefits £'000	Total Remuneration Paid £'000
Paid during the year					
Ian Strafford-Taylor	255	165	4	2	426
Richard Cooper	231	150	4	3	388
Sub-total - executives	486	315	8	5	814
Non-Executive Directors					
A Chowdhury (resigned 29 July 2020)	21	–	–	–	21
J Pearson (resigned 9 October 2020)	57	–	2	–	59
R M Head (resigned 1 October 2020)	33	–	–	–	33
A R F Hughes (appointed 1 March 2020)	56	–	–	–	56
S Herbert (appointed 1 October 2020)	19	–	–	–	19
Total remuneration paid	672	315	10	5	1,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

5. OPERATING LOSS (CONTINUED)

In December 2021 a payroll error was made such that the NEDs were overpaid by 10% of their monthly base salary. This error was corrected in February 2022 payroll and the money repaid.

The above tables have been prepared on a cash paid basis for 2021, whereas the remuneration committee report will be shown on an accrual basis to detail out the bonuses accrued as at 31 December 2021.

	2021 £'000	2020 £'000
Highest Paid Director		
Gross Salary	297	255

	2021 £'000	2020 £'000
Average wage per employee		
Gross Salary	51	47

Group

The total amount paid during 2021 to Executive Directors, when including Executive Directors of all the subsidiaries in the consolidated Group, was £2,893k (2020: £1,773k). This included pension payments of £82k (2020: £25k). Details of CEO and CFO bonuses accrued during the year but not paid are given in the Company disclosures above. Information about Directors' share options is given in note 22.

5C IT AND TELEPHONE

	2021 £'000	2020 £'000
IT and telephone costs	2,101	1,718
Capitalised costs	(301)	(419)
Total IT and telephone costs included in administrative expenses	1,800	1,299

5D PROFESSIONAL FEES

	2021 £'000	2020 £'000
Professional fees	1,332	1,693
Acquisition costs	–	(48)
Total professional fees included in administrative expenses*	1,332	1,645

***includes £3k (2020: £217k) of expenditure identified by the Directors as separately identifiable items.**

5E AUDIT FEES

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

	2021 £'000	2020 £'000
Statutory audit fees		
Fees payable for the statutory audit of the Group	303	255
PY additional statutory audit fees payable for the prior year audit – to PwC LLP	–	120
Total audit fees	303	375

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

5. OPERATING LOSS (CONTINUED)

5F PROPERTY AND OFFICE COSTS

	2021 £'000	2020 £'000
Property costs	1,823	2,101
Capitalised costs	–	(45)
IFRS 16 adjustment	(1,001)	(1,063)
Total property costs included in administrative expenses	822	993

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

	2021 £'000	2020 £'000
Card stock write-off	–	575
Bad debts	–	513

The demise of Wirecard AG led to the Group having to re-card all its customers on the Wirecard programme. Amounts due to the Group were likely to be irrecoverable.

5H CONTINGENT CONSIDERATION

Contingent consideration represents the fair value of additional consideration estimated in respect of the acquisitions of Casco Financial Services Limited (renamed to Equals Connect Limited) in November 2019 and Effective FX Limited intellectual property rights in October 2020. This additional consideration payable is the result of revenues being in excess of forecasts at the time of acquisition.

5J ACQUISITION EXPENSES

	Note	2021 £'000	2020 £'000
Professional fees	5d	–	47
Staff costs	5a	–	83
Total acquisition expenses		–	130

Costs incurred in 2020 were in relation to the acquisition of Effective FX in October 2020.

6. TAXATION

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

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

At 31 December 2021, the Group had tax losses available to be offset against future taxable profits of £17,186k (2020: £16,880k). The losses can be carried forward indefinitely and have no expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

6. TAXATION (CONTINUED)

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

a. Employers National Insurance contributions - £1,724k (2020: £1,752k)

b. Irrecoverable VAT - £1,127k (2020: £1,053k)

Group	2021 £'000	2020 £'000
R&D credit – current year	(398)	(1,347)
R&D credit – prior year	–	(24)
Corporation tax charge	61	–
Current tax credit	(337)	(1,371)
Origination and reversal of temporary differences	(997)	(564)
Recognition of previously unrecognised deductible temporary differences	(221)	(174)
Deferred tax credit	(1,218)	(738)
Total tax credit	(1,555)	(2,109)

Factors affecting tax credit for the year

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

	2021 £'000	2020 £'000
Loss before taxation: Continuing operations	(3,817)	(9,046)
Taxation at the UK corporation rate tax of 19.0% (2020: 19.0%)	(725)	(1,719)
Net permanent differences between tax and accounting	112	380
Adjustments to R&D tax credits in respect of previous accounting period	–	(24)
Net impact of R&D tax credit claim	(535)	(658)
Remeasure of deferred tax asset on carry forward losses	(221)	(174)
Effect of change in tax rates	(121)	98
Utilisation of tax losses	(65)	(12)
Total tax credit for the year	(1,555)	(2,109)

Movement in deferred tax balances

Group	Net balance at 1 January £'000	Acquired in business combination £'000	Recognised to equity £'000	Recognised to profit or loss £'000	Net balance at 31 December £'000	Deferred tax asset £'000	Deferred tax liability £'000
2021							
Intangibles	(3,480)	–	–	(66)	(3,546)	–	(3,546)
Property plant and equipment	(260)	–	–	64	(196)	–	(196)
Equity settled share-based payments	15	–	278	380	673	673	–
Unutilised tax losses	3,178	–	–	840	4,018	4,018	–
Other	–	–	–	–	–	–	–
Deferred tax (liabilities)/assets	(547)	–	278	1,218	949	4,691	(3,742)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

6. TAXATION (CONTINUED)

Group	Net balance at 1 January £'000	Acquired in business combination £'000	Recognised to equity £'000	Recognised to profit or loss £'000	Net balance at 31 December £'000	Deferred tax asset £'000	Deferred tax liability £'000
2020							
Intangibles	(2,955)	(110)	–	(415)	(3,480)	–	(3,480)
Property plant and equipment	(271)	–	–	11	(260)	–	(260)
Equity settled share-based payments	550	–	(387)	(148)	15	15	–
Unutilised tax losses	1,888	–	–	1,290	3,178	3,178	–
Other	–	–	–	–	–	–	–
Deferred tax (liabilities)/assets	(788)	(110)	(387)	738	(547)	3,193	(3,740)

The standard rate of corporation tax applicable to the Group for the year ended 31 December 2021 was 19.0%. The rate in the year ending 31 December 2022 will be 19%. The Government has confirmed that the rate of corporation tax will be increased to 25% with effect from 1 April 2023. Deferred tax assets and liabilities have been recognised at the substantively enacted rate. The effect of change in tax rate has been calculated on deferred tax.

Assumptions and estimation uncertainties

The Group has recorded a £4,018k (2020: £3,178k) deferred tax asset in relation to carried forward tax losses and has a further £NIL (2020: £29k) deferred tax asset unrecognised. Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The decision to recognise any asset is taken at such point the recovery is reasonably certain. The Group has concluded that the deferred assets will be recoverable using estimated future taxable income based on a five-year forecast horizon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

7 LOSS PER SHARE

Basic earnings per share

The calculation of basic profit or loss per share has been based on the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The loss after tax attributable to ordinary shareholders of the Group is £2,424k (2020: £6,919k) and the weighted average number of shares for the period was 178,959,402 (2020: 178,602,918).

Diluted earnings per share

The calculation of diluted earnings per share has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares. The weighted average number of dilutive shares is 178,959,402 (2020: 178,602,918).

	Basic 2021	Diluted 2021	Basic 2020	Diluted 2020
Loss per share	(1.35)p	(1.35)p	(3.87)p	(3.87)p

8 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 January 2021	1,295	464	1,319	3,078
Additions	68	–	10	78
At 31 December 2021	1,363	464	1,329	3,156
Accumulated Depreciation				
At 1 January 2021	901	181	350	1,432
Charge for the year	232	89	146	467
At 31 December 2021	1,133	270	496	1,899
Net book value				
At 31 December 2021	230	194	833	1,257

Group	Plant and machinery £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 January 2020	1,210	449	1,259	2,918
Additions	85	15	60	160
At 31 December 2020	1,295	464	1,319	3,078
Accumulated Depreciation				
At 1 January 2020	626	91	228	945
Charge for the year	275	90	122	487
At 31 December 2020	901	181	350	1,432
Net book value				
At 31 December 2020	394	283	969	1,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

9 LEASES

Group

Right of use assets	Vehicles £'000	Property £'000	Total £'000
At 1 January 2020	53	6,895	6,948
Additions to right of use assets	41	90	131
Modifications to leases	–	(78)	(78)
Depreciation charge for the year	(43)	(897)	(940)
At 1 January 2021	51	6,010	6,061
Additions to right of use assets	338	–	338
Modifications to leases	–	(594)	(594)
Depreciation charge for the year	(122)	(809)	(931)
At 31 December 2021	267	4,607	4,874

Lease liabilities	Vehicles £'000	Property £'000	Total £'000
At 1 January 2020	53	7,190	7,243
Additions to lease liabilities	41	90	131
Lease finance expenses	2	220	222
Modification to leases*	–	(76)	(76)
Payments	(47)	(1,067)	(1,114)
At 1 January 2021	49	6,357	6,406
Additions to lease liabilities	338	–	338
Lease finance expenses	8	186	194
Modification to leases*	–	(616)	(616)
Payments	(138)	(922)	(1,060)
At 31 December 2021	257	5,005	5,262
Current lease liabilities	109	669	778
Non-current lease liabilities	148	4,336	4,484
	257	5,005	5,262

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

	2021 £'000	2020 £'000
Net lease liability	388	345

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

Group

	Property £'000	Vehicles £'000	Total 2021 £'000	Property £'000	Vehicles £'000	Total 2020 £'000
Depreciation charge for right of use assets	809	122	931	897	43	940
Lease finance expenses	186	8	194	220	2	222
Modification of lease terms – net impact	(22)	–	(22)	2	–	2
Expense relating to short-term and low value items leases	66	–	66	78	–	78
	1,039	130	1,169	1,197	45	1,242

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

9 LEASES (CONTINUED)

Included within expenses relating to low value assets, which are below the de-minimis level, are amounts relating to IT equipment (printer and photocopiers etc) and property costs (fridges, microwaves etc). The total cash outflow for leases in 2021 was £1,060k (2020: £1,113k) including for principal and interest.

10 INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £'000	Trademarks, licences, patented and non-patented technology £'000	Customer relationships £'000	Brands £'000	Under construction £'000	Total £'000
Cost						
At 1 January 2021	15,106	21,725	4,652	455	1,629	43,567
Reclassifications	–	1,629	–	–	(1,629)	–
Additions	–	2,899	–	–	661	3,560
Acquisitions through business combinations	–	–	–	–	–	–
At 31 December 2021	15,106	26,253	4,652	455	661	47,127
Amortisation						
At 1 January 2021	–	6,955	1,475	287	–	8,717
Charge for the year	–	4,980	741	91	–	5,812
At 31 December 2021	–	11,935	2,216	378	–	14,529
Impairment						
Impairment for the year*	1,638	–	–	–	–	1,638
Net book value						
At 31 December 2021	13,468	14,318	2,436	77	661	30,960

* The impairment charge in 2021 relates to the Travel Cash CGU.

Group	Goodwill £'000	Trademarks, licences, patented and non-patented technology £'000	Customer relationships £'000	Brands £'000	Under construction £'000	Total £'000
Cost						
At 1 January 2020	14,350	16,814	4,066	455	2,009	37,694
Reclassifications	–	933	–	–	(933)	–
Additions	–	3,978	–	–	553	4,531
Acquisitions through business combinations	756	–	586	–	–	1,342
At 31 December 2020	15,106	21,725	4,652	455	1,629	43,567
Amortisation						
At 1 January 2020	–	3,225	949	196	–	4,370
Charge for the year	–	3,730	526	91	–	4,347
At 31 December 2020	–	6,955	1,475	287	–	8,717
Net book value						
At 31 December 2020	15,106	14,770	3,177	168	1,629	34,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

10 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Included within additions to 'assets under construction' and 'trademarks, licenses, patented and non-patented technology' is £3,329k (2020: £4,465k) for internally generated software. The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period. IAS 36 *Impairment of Assets* requires that intangible assets that are not available for use are required to be tested for impairment at least on an annual basis. The balance at reporting date relates to additions made during the reporting period, which are tested annually for impairment during the 2021 calendar year.

Goodwill

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

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

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

Management estimates discount rates using pre-tax rate that reflects the current market assessment of the time value of money and the specific risks associated with the asset for which the future cash flow estimates have not been adjusted. The rate used to discount the forecast cash flows are based upon the CGU's weighted average cost of capital (WACC). The WACC for the CGUs were Banking: 14.56% (2020: 11.70%), International Payments: 12.34% (2020: 10.08%) and Travel Cash: 11.83% (2020: 8.00%).

The increase in discount factors is a function of both, increased in the interest rate environment impacting the risk free rate and volatility within comparable company share prices impacting the cost of equity calculation.

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 a growth rate of 2% (2020: 2%), representing the expected long-run rate of inflation in the UK. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

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

Group	2021	2020
Decrease (increase) in revenue		
Banking	7.98%	1.71%
International Payments	37.77%	23.64%
Travel Cash	(17.05%)	12.32%

Group	2021	2020
Decrease (increase) in discount rate (WACC)		
Banking	5.74%	0.79%
International Payments	57.89%	20.30%
Travel Cash	(5.26%)	5.38%

Based on the sensitivity analyses, the Group has determined that for Banking and International Payments there are no reasonable possible changes to the key assumptions which would result in the carrying value of the CGU exceeding its recoverable value at 31 December 2021. Based on the management forecasts and the assumptions the value in use of the Travel Cash was calculated to be £791k whilst the carrying amount was £2,209k. An impairment of £1,638k (2020: NIL) was recognised in the Consolidated Statement of Comprehensive Income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

11 INVESTMENTS

Company – shares in subsidiary undertakings	2021 £'000	2020 £'000
Cost		
At 1 January	61,707	38,892
Capitalisation of loan to subsidiary	–	13,423
Other additions	271	9,392
At 31 December	61,978	61,707
Net Book Value		
At 31 December	61,978	61,707

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

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

Subsidiary undertakings

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

Subsidiary Undertaking	Country of registration or incorporation	Shares held Class	Shares held %	
FairFX PLC	England and Wales	Ordinary	100	Trading
Spectrum Payment Services Limited	England and Wales	Ordinary	100	Trading
Fair Payments Limited	England and Wales	Ordinary	100	Trading
Equals Connect Limited*	England and Wales	Ordinary	52	Trading
Equals Pay LLC	United States of America	Ordinary	100	Trading
City Forex Limited	England and Wales	Ordinary	100	Dormant
Fair Foreign Exchange Ireland Limited*	Ireland	Ordinary	100	Dormant

* 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.

12 ACQUISITION

There were no acquisitions made in the year or up to the date of signing these financial statements.

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

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

The acquisition of Effective contributed £1,035k of revenue and £796k of profit before tax to the Group since its acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

12 ACQUISITION (CONTINUED)

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

	£'000
Contingent consideration – undiscounted maximum payments in cash, payable in quarterly instalments over three years	1,575
Contingent consideration discounted - fair value	1,511

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

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

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

Goodwill arising from the acquisition has been recognised as follows:

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

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

13 INVENTORIES

Group	2021	2020
	£'000	£'000
Finished goods	168	194

The Group's inventories comprise of stock of cards. Included within cost of sales is a charge relating to stock of £177k (2020: £470k) incurred in the ordinary course of business.

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current assets				
Trade receivables	3,176	2,444	–	–
Amounts due from Group undertakings	–	–	192	193
Other receivables	3,620	5,863	–	–
Prepayments	998	860	147	81
Accrued income	462	419	–	–
	8,256	9,586	339	274

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Group – movement in expected credit loss ("ECL")	2021 £'000	2020 £'000
Cost		
Allowance for ECLs at 1 January	261	–
Provided/(released) during the period	(166)	261
Allowance for ECLs at 31 December	95	261

The ECL allowance for the Company is £Nil (2020: £Nil)

15 CASH AND CASH EQUIVALENTS

Group	2021 £'000	2020 £'000
Cash at bank	13,104	10,032

16 SHARE CAPITAL

Group and Company	2021 £'000	2020 £'000
Authorised, issued and fully paid-up capital		
179,341,807 (2020: 178,602,918) ordinary shares of £0.01 each	1,793	1,786

17 OTHER RESERVES

Group	Merger reserve £'000	Contingent consideration reserve £'000	Foreign currency reserve £'000	Total £'000
At 1 January 2020	8,396	207	–	8,603
Exchange differences arising on translation of foreign operations	–	–	6	6
At 31 December 2020	8,396	207	6	8,609
Exchange differences arising on translation of foreign operations	–	–	–	–
At 31 December 2021	8,396	207	6	8,609

Company	Merger reserve £'000	Contingent consideration reserve £'000	Total £'000
At 1 January 2020	2,980	207	3,187
Shares issued in the year	–	–	–
At 31 December 2020	2,980	207	3,187
Shares issued in the year	–	–	–
At 31 December 2021	2,980	207	3,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

18 BORROWINGS

Group	2021 £'000	2020 £'000
Loan debenture	2,000	2,000

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

Under the terms of the loan, there is an initial twelve month capital repayment holiday and the UK Government will pay the first 12 months of interest due. This is being recognised as a Government grant, with interest grant income received being offset against the loan interest due. At the current Bank Base rate, the grant income received by the Group for 2021 representing twelve-month repayment holiday was £53k. The loan is for a six-year period at the Bank Base rate + 2.53% and may be repaid at any point without penalty.

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

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current liabilities				
Trade payables	3,583	4,172	124	138
Amounts owing to Group undertakings	–	–	2,102	1,216
Taxation and social security	666	766	–	–
Other creditors	27	–	–	–
Accruals and deferred income	7,726	7,172	545	463
	12,002	12,110	2,771	1,817

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

20 DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Derivative financial assets

Financial assets at fair value through profit or loss

Group	Fair Value 2021 £'000	Notional Principal 2021 £'000	Fair Value 2020 £'000	Notional Principal 2020 £'000
Foreign exchange forward contracts	2,593	170,083	3,019	137,306
Total financial instruments at fair value	2,593	170,083	3,019	137,306

20.2 Derivative financial liabilities

Financial liabilities at fair value through profit or loss

Group	Fair Value 2020 £'000	Notional Principal 2021 £'000	Fair Value 2020 £'000	Notional Principal 2020 £'000
Foreign exchange forward contracts	2,082	150,202	3,050	135,644
Total financial instruments at fair value	2,082	150,202	3,050	135,644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

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	2021 £'000	2020 £'000
Financial instruments held at amortised cost		
Cash and cash equivalents	13,104	10,032
Trade and other receivables	7,258	8,726
Borrowings	(2,000)	(2,000)
Trade and other payables	(7,968)	(6,443)
Lease liabilities	(5,262)	(6,406)

	2021 £'000	2020 £'000
Financial instruments held at fair value through profit or loss		
Derivative financial assets – Forward foreign exchange contracts	2,593	3,019
Derivative financial liabilities – Forward foreign exchange contracts	(2,082)	(3,050)

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

Forward foreign exchange contracts fall into Level 2 of the fair value hierarchy as set out in note 3.27 since Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e., prices) or indirectly (i.e., derived from prices). In 2021, the unrealised gain or loss recognised in the income statement on the fair value of financial instruments was a loss of £93k (2020: £31k gain). This was reported in administration costs in the statement of comprehensive income.

21.2 Financial risk management objectives and policies

Credit risk

As required under IFRS 9, the Group analysed its trade debtors and split them into portfolios: bank and other financial institutions, financial service providers and corporate customers. The Group has significant short-term receivables and security collateral arrangements with bank and other financial institutions which are generally considered to be a low credit risk due to the financial strength of the counterparty. The cash balances exposure to credit risk is addressed further in table 14 and 15 in the CFO report.

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

2021 Group	On demand £'000	Between 1 and 3 months £'000	Between 3 and 12 months £'000	Over 1 year £'000	Total £'000
Trade and other receivables - gross	7,163	–	–	–	7,163
Allowance for ECL	95	–	–	–	95
Trade and other receivables - net	7,258	–	–	–	7,258
Derivative financial assets	412	1,017	1,117	47	2,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

21 FINANCIAL INSTRUMENTS (CONTINUED)

2020 Group	On demand £'000	Between 1 and 3 months £'000	Between 3 and 12 months £'000	Over 1 year £'000	Total £'000
Trade and other receivables - gross	8,263	109	615	–	8,987
(Allowance for ECL)	–	–	(261)	–	(261)
Trade and other receivables - net	8,263	109	354	–	8,726
Derivative financial assets	1,013	650	1,246	110	3,019

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.

2021 Group	On demand and within 1 month £'000	Between 1 and 3 months £'000	Between 3 and 12 months £'000	Over 1 year £'000	Total £'000
Borrowings	31	63	285	1,621	2,000
Trade and other payables	7,968	–	–	–	7,968
Derivative financial liabilities	404	836	814	28	2,082
Lease liabilities	64	134	580	4,484	5,262

2020 Group	On demand and within 1 month £'000	Between 1 and 3 months £'000	Between 3 and 12 months £'000	Over 1 year £'000	Total £'000
Borrowings	–	–	–	2,000	2,000
Trade and other payables	6,443	–	–	–	6,443
Derivative financial liabilities	1,019	667	1,251	113	3,050
Lease liabilities	96	149	652	5,509	6,406

Market risk

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

Interest rate risk

The Group is subject to interest rate risk as its bank balances and borrowings are subject to interest at a floating rate. No interest is payable on the borrowings until 2022 (see note 18).

Foreign currency risk

Foreign currency risk arises from having assets and liabilities in currencies other than sterling. The Group's balance sheet includes foreign currency balances placed with card issuers and foreign currency settlement partners. The sterling equivalent of foreign currency balances with card providers at year end was £124k (2020: £464k), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments and fair value risk

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

31 December 2021	Measured at amortised cost £'000	Measured at fair value £'000	Total £'000
Financial assets			
Cash and cash equivalents	13,104	–	13,104
Trade and other receivables	7,258	–	7,258
Derivative financial assets	–	2,593	2,593
	20,362	2,593	22,955
Financial liabilities			
Borrowings	2,000	–	2,000
Trade and other payables	8,063	–	8,063
Lease liabilities	5,262	–	5,262
Derivative financial liabilities	–	2,082	2,082
	15,325	2,082	17,407

31 December 2020	Measured at amortised cost £'000	Measured at fair value £'000	Total £'000
Financial assets			
Cash and cash equivalents	10,032	–	10,032
Trade and other receivables	8,726	–	8,726
Derivative financial assets	–	3,019	3,019
	18,758	3,019	21,777
Financial liabilities			
Borrowings	2,000	–	2,000
Trade and other payables	6,443	–	6,443
Lease liabilities	6,406	–	6,406
Derivative financial liabilities	–	3,050	3,050
	14,849	3,050	17,899

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 £50k.

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

- either 10% of fixed overheads for the preceding year or the initial capital requirement of €25k, whichever is the higher.

Spectrum Payment Services Limited, a wholly owned subsidiary, is subject to the following capital requirement under the Payment Service Regulations 2009.

- either 10% of fixed overheads for the preceding year or the initial capital requirement of €323k, whichever is the higher

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

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

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

The Group has complied with these requirements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

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 with the exception of the new LTIP scheme offered to the Executive Directors which have been calculated under the Monte Carlo pricing model as detailed below. 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 2021, there were a number of share-based payment transactions within the Group.

Date Granted	Exercise price (£)	At 1 January 2021 Number	Cancelled/replaced Cancelled Number	Granted Number	Exercised Number	Lapsed Number	At 31 December 2021 Number
22/07/2014	0.07	200,000	–	–	–	–	200,000
22/07/2014	0.22	447,750	–	–	–	–	447,750
22/07/2014	0.36	3,813,938	–	–	(88,888)	–	3,725,050
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	388,887	–	–	(100,000)	(5,555)	283,332
28/09/2016	0.30	388,888	–	–	(100,000)	(5,556)	283,332
28/09/2016	0.30	388,888	–	–	(100,000)	(5,556)	283,332
01/12/2016	0.27	100,000	–	–	(100,000)	–	–
01/12/2016	0.27	100,000	–	–	(100,000)	–	–
01/12/2016	0.27	100,000	–	–	(100,000)	–	–
18/01/2017	0.44	16,667	–	–	(16,667)	–	–
18/01/2017	0.44	16,667	–	–	(16,667)	–	–
18/01/2017	0.44	16,667	–	–	(16,667)	–	–
28/09/2019	1.01	166,667	–	–	–	–	166,667
28/09/2019	1.01	166,667	–	–	–	–	166,667
28/09/2019	1.01	166,667	–	–	–	–	166,667
01/09/2020	0.29	250,000	–	–	–	–	250,000
01/09/2020	0.29	250,000	–	–	–	–	250,000
01/09/2020	0.29	250,000	–	–	–	–	250,000
01/09/2020	0.29	416,667	–	–	–	–	416,667
01/09/2020	0.29	416,667	–	–	–	–	416,667
01/09/2020	0.29	416,667	–	–	–	–	416,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
01/09/2020	0.29	166,667	–	–	–	–	166,667
18/10/2021	0.01	–	–	720,000	–	–	720,000
18/10/2021	0.01	–	–	2,415,000	–	–	2,415,000
18/10/2021	0.01	–	–	1,250,000	–	–	1,250,000
Total number of options		9,838,356	–	4,385,000	(738,889)	(376,667)	13,107,800

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

22 SHARE OPTIONS (CONTINUED)

In 2021 executives have been granted performance-based share options shown in the table below.

	At 1 January 2021 Number	Cancelled Number	Granted Number	Exercised Number	Lapsed Number	At 31 December 2021 Number
Executive Directors*	7,268,000	–	1,258,000	–	–	8,526,000
Non-Executive Directors who resigned in previous years*	748,887	–	–	(388,887)	(360,000)	–
Employees	1,821,469	–	3,127,000	(350,002)	(16,667)	4,581,800
	9,838,356	–	4,385,000	(738,889)	(376,667)	13,107,800

* See Remuneration Committee report pages 55 to 59 for a list of current Directors' share options.

The above share options issued in Equals Group PLC have been granted to both Directors and employees of the Group. At 31 December 2021, there were unexercised share options amounting to 7.31% (2020: 5.51%) of the Company's total issued shares. Of the above options 8,526k (2020: 8,017k) have been granted to Directors of the Company see Directors' remuneration report pages 55 to 59, with an additional Nil (2020: 1,271k) having been granted to individuals who are, or have been during the year, Directors of wholly owned subsidiaries within the Group.

In October 2021, Equals Group PLC introduced a new discretionary share incentive plan. A total of 720,000 share options were awarded under the plan to various employees, which had a vesting period of three years. The shares will be awarded as 'free shares' and therefore the exercise price is equal to the nominal value. The fair value of the options was 62p determined using the Black-Scholes model and principles.

In October 2021, Equals Group PLC introduced a new discretionary long-term incentive plan for 36 SLT employees. A total of 2,415,000 share options were awarded under the plan, which had a vesting period of three years. The shares will be awarded as 'free shares' and therefore the exercise price is equal to the nominal value. The fair value of the options was 62p determined using the Black-Scholes model and principles.

In October 2021, Equals Group PLC introduced a new discretionary long-term incentive plan for the 2 Executive Directors. A total of 1,250,000 share options were awarded under the plan to, which had a vesting period of three years. The shares will be awarded as 'free shares' and therefore the exercise price is equal to the nominal value. The fair value of the options was 16p determined using the Monte Carlo model and principles.

Weighted average exercise price of options

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

	Weighted average exercise price 2021	Number of options 2021	Weighted average exercise price 2020	Number of options 2020
Outstanding at the beginning of the year	0.3805	9,838,356	0.5081	8,221,691
Granted during the year	0.0100	4,385,000	0.2900	1,750,000
Lapsed during the year	(1.1218)	(376,667)	(0.2975)	(133,335)
Exercised during the year	(0.3017)	(738,889)	–	–
Outstanding at the end of the year	0.2397	13,107,800	0.3805	9,838,356
Exercisable at the end of the year	0.1793	6,556,133	0.3899	6,505,023

The weighted average share price for the year was £0.49 (2020: £0.34).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

22 SHARE OPTIONS (CONTINUED)

The fair values of share options in the relevant schemes 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 2021	Granted during year
Weighted average share price (£)	0.62	0.49
Weighted average exercise price (£)	Variable	Variable a
Expected volatility	47.1%	37.7% b
Expected option life in years	4.3	2.3
Risk-free rate	0.28%	0.77%
Expected dividends	none	none
Fair value of the options granted (£)	Variable	Variable c

The fair values of share options in the relevant schemes are calculated using a Monte Carlo 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 2021	Granted during year
Weighted average share price (£)	0.62	0.49
Weighted average exercise price (£)	Variable	Variable a
Expected volatility	47.1%	37.7% b
Expected option life in years	Nil	0.9
Risk-free rate	0.28%	0.77%
Expected dividends	none	none
Fair value of the options granted (£)	Nil	0.16 c

a. The weighted average exercise price varies dependent upon the amount stipulated in the individual option deeds. The exercise price ranges from £0.01 to £1.74.

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

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

	Exercise price (£)	Fair Value (£)
22/07/2014	0.07	0.28
22/07/2014	0.22	0.20
22/07/2014	0.36	0.12
22/07/2014	0.58	Nil
22/07/2014	1.16	Nil
22/07/2014	1.74	Nil
28/09/2016	0.30	0.13
01/12/2016	0.27	0.11
18/01/2017	0.44	0.20
26/09/2019	1.01	0.39
14/10/2019	1.01	0.31
01/09/2020	0.29	0.16
18/10/2021	0.01	0.62
18/10/2021	0.01	0.16

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
CONTINUED**

22 SHARE OPTIONS (CONTINUED)

For the options outstanding at 31 December 2021, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 31 December 2021 until the lapse date of each option) are set out below:

	Weighted average fair value of options outstanding (£)	Weighted average remaining contractual life (years)
Historic Share Schemes Pre 2021	0.10	2.87
2021 Share Incentive Plan	0.03	0.54
2021 Long-Term Incentive Plan SLT	0.11	1.81
2021 Long-Term Incentive Plan - Exec	0.01	0.93

The charge expensed to the statement of comprehensive income is £272k (2020: £444k). During the year the Group recognised a £658k increase (2020: £536k decrease) in deferred tax assets in relation to unexercised share options. Of this amount £380k was recognised in the current year's tax credit (2020: £148k tax credit) and £278k (2020: £387k) was taken to equity.

23 FINANCIAL COMMITMENTS

The Group has no significant financial commitments not on balance sheet for 2021 and 2020 year-end.

24 RELATED PARTY TRANSACTIONS

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

Key Management Personnel

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

	2021 £'000	2020 £'000
Salaries, fees and other short-term employee benefits	3,587	2,707
Post-employment benefits	88	37
	3,675	2,744

Key management personnel share-based payment expense for all existing and new share schemes:

	2021 £'000	2020 £'000
Share-based payment expense	262	421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

24 RELATED PARTY TRANSACTIONS (CONTINUED)

Company

Intercompany transactions and balances with the rest of the Group:

31 December 2021	Due from 2021 £'000	Due to 2021 £'000	Due from 2020 £'000	Due to 2020 £'000
Balance sheet				
FairFX PLC	–	(1,002)	1	(758)
Fair Payments Limited	192	–	192	–
Spectrum Payment Services Limited	–	(1,100)	–	(458)
	192	(2,102)	193	(1,216)

	Payable to 2021 £'000	Payable to 2020 £'000
Income statement		
FairFX PLC	–	1,122

25 ULTIMATE CONTROLLING PARTY

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

26 POST BALANCE SHEET EVENTS

There have been no post balance sheet events from the balance sheet date to the date of signing which require separate disclosure.

Designed and printed by Perivan

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