

REGISTERED NUMBER: 06268340 (England and Wales)

SPECTRUM PAYMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



SPECTRUM PAYMENT SERVICES LIMITED

CONTENTS

Directors and advisors	2
Strategic report	3
Directors' report	6
Statement of Directors' responsibilities	8
Independent auditors' report	9
Statement of comprehensive income.....	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows.....	15
Notes to the financial statements	16

SPECTRUM PAYMENT SERVICES LIMITED

DIRECTORS AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2019

Directors: A D Rigler (resigned 19 December 2019)
I A I Trafford-Taylor
A Quirke
M Boon (appointed on 13 June 2019)

Registered Number: 06268340 (England and Wales)

Registered Office: 3rd Floor Thames House
Vintners' Place
68 Upper Thames Street
London
EC4V 3BJ
England

Bankers: Barclays Bank Plc
1 Church Hill Place
Canary Wharf
E13 5BH
England

Independent Auditors: PricewaterhouseCoopers LLP
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB
England

SPECTRUM PAYMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

About Spectrum Payments Services Limited and Equals Group

Spectrum Payment Services Limited (the "Company"), part of Equals Group PLC ("Equals" or the "Group") offers retail and business bank accounts with all the functionality you would expect from a bank, namely faster payments, BACS, direct debits, international payments and a debit card to both personal and business customers.

Equals is a leading challenger brand in banking and payments that disintermediates the incumbent banks with a superior customer experience and low-cost operating model. Our business enables personal and business customers to make easy, low-cost payments both domestically and in a broad range of currencies and across a range of products all via one integrated system. The Equals platform facilitates payments either direct to Bank Accounts or at 35 million merchants and over 1 million ATMs in a broad range of countries globally via Mobile apps, the Internet, SMS, wire transfer and MasterCard/VISA debit cards.

Equals provides money movement services to both personal and business customers through four channels: Currency Cards, Physical Currency, International Payments and Bank Accounts. The Currency Card and Physical Currency offerings facilitate multiple overseas payments at points of sale and ATM's whereas the International Payments channel supports wire transfer foreign exchange transactions direct to Bank Accounts. For Corporates, Equals has a market-leading business-expenses solution based around its corporate platform and prepaid card. This service can yield significant savings on a Corporate's expenses and procurement both domestically and overseas, through better controls and improved transparency. The platform also streamlines the downstream administrative processes and integrates into accounting software, thus saving costs.

Change in accounting policy

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

A change in accounting policy requires a retrospective adjustment if prior periods are affected. No periods prior to 2019 have been affected by the change in accounting policy and consequently the comparatives amounts have not been restated. There is no adjustment to earnings per share or retained earnings. In 2019, £181,643 has been recognised as tax income (see note 8).

Trading performance

Company revenue increased by 56% to £4,729,106 (2018: £3,025,725).

Gross profit was £3,426,770 (2018: £1,878,909), increased by 82% being £1,547,861 on 2018. Company gross profit is stated after the deduction of direct costs which increased by 56% to £1,302,336 (2018: £1,146,816). The gross profit margin (gross profit over revenue) was 67% (2018: 62%).

Company overheads increased by 28% to £2,451,246 (2018: £1,918,201).

The increase in revenue and decrease in overall costs has led to a profit before tax of £646,644 (2018: loss £86,203).

The net cash position of the Company at 31 December 2019 was £809,161 (2018: £222,051) excluding client funds. Accordingly, the Company has sufficient cash resources to continue implementing its growth strategy.

SPECTRUM PAYMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Company will contribute to the Group Strategy by driving through business efficiencies through a combination of increasing scale, selective internalisation of the supply chain and improved customer experience of our products. The Company continues to invest for growth, most notably in adding talent into design, product management and development.

The Directors have reviewed the risks and uncertainties facing the company and consider the key risk areas to be financial crime, data security and the macro-environment including impact of Brexit. To manage and mitigate these risks, the company has robust policies and procedures in place including a Risk Register.

Compliance with Companies Act 2006, Section 172 Statement

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

The Board endeavors to achieve and maintain a reputation for high standards of conduct amongst its stakeholders which it regards as crucial in its ability to successfully achieve its corporate objectives. During the development of the Company'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, their material issues and how the Company engages with them.

Employees

The employees are one of the greatest assets to the Company. 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 Company's success. Weekly "All Hands" meetings, company updates and staff feedback questionnaires are performed and the Board will actively reflect on these when making decisions. Regular management training, internship programmes, personal development and performance reviews all contribute to the development of staff.

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

Suppliers

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

Customers

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

Regulators and Compliance

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

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

SPECTRUM PAYMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Response to Covid-19

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

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

The Company is in the fortunate position of having no bank borrowing and thus has protected its cash position

The Strategic Report on pages 3 to 5 was approved and authorised for issue by the Board on 23 July 2020, and was signed on its behalf by:



A Quirke

Director

SPECTRUM PAYMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Financial reporting

The financial statements for the year ended 31 December 2019 are set out on pages 12 to 34 for Spectrum Payment Services Limited (the "Company"). These have been prepared in accordance with the Company's accounting policies under International Financial Reporting Standards ("IFRS") as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB).

Principal activities

The principal activities of the company during the year were to provide payment services to both private customers and corporations. Spectrum Payment Services Limited is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment.

Dividends

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

Directors

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

A D Rigler (resigned 19 December 2019)

I A I Trafford – Taylor

A Quirke

M Boon (appointed on 13 June 2019)

Key performance indicators

The Strategic Report set out on pages 3 to 5 provides key performance indicators and an assessment of the Company's financial performance throughout the year.

Risk and risk management

The Company is exposed to various financial and operational risks. Further details of these, including processes put in place to mitigate these risks, are disclosed in note 16 of the financial statements.

Auditor

PricewaterhouseCoopers LLP were appointed as auditors for the 2019 audit. They have expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

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.

SPECTRUM PAYMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Future development

The Company, along with the Group, will continue to align its marketing efforts across its brands as well as its development across the B2B business. B2B will continue to remain the focus, with increased emphasis on marketing additional payment solution for businesses and expanding the functionality and customer base of the expense management platform.

Post balance sheet events

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Company has undoubtedly been impacted by this situation but is confident that it is positioned well and has taken measures to preserve its cash flow. Covid-19 is a non-adjusting post balance sheet event.

On 26 June 2020, a supplier to the Company, Wirecard Card Services ('WDCS'), had its regulatory licence temporarily suspended by the FCA with the suspension lifted on the 29 June 2020. This suspension affected the Company's retail card customers, the corporate card programme unaffected. The Company has contingency plans in place should the situation at WDCS deteriorate, including two alternative card issuers already integrated into the Company and wider Group.

Going concern

Based on the Company'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 Company, the regulatory environment and the effectiveness of risk management policies. The Company has no bank borrowings and has maintained its cash position.

The Directors' Report was approved by the Board on 23 July 2020 and signed on its behalf by:



A Quirke
Director

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union or IFRSs as issued by the International Accounting Standards Board (IASB) and applicable law.

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

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

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

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

Approved by the Board on 23 July 2020 and signed on its behalf by



A Quirke
Director

Independent auditors' report to the members of Spectrum Payment Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Spectrum Payment Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

We remained independent of the company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Spectrum Payment Services Limited

Report on the audit of the financial statements

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its 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 set out on page 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Spectrum Payment Services Limited

Report on the audit of the financial statements

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 July 2020

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 Restated* £
Revenue	4	4,729,106	3,025,725
Direct costs		(1,302,336)	(1,146,816)
Gross profit		3,426,770	1,878,909
Administrative expenses		(2,451,246)	(1,918,201)
Amortisation charge		(317,049)	(46,911)
Finance cost		(11,831)	-
Profit / (loss) before tax	5	646,644	(86,203)
Tax credit / (expense)	8	209,853	(75,561)
Profit / (loss) and total comprehensive income / (expense) for the year		856,497	(161,764)

*See note 3.1

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

The notes on pages 16 to 34 form an integral part of these financial statements.

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
	Note	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	9	205,608	39,040
Right of use asset	10	1,036,156	-
Intangible assets	11	1,612,433	868,405
Deferred tax asset	8	2,310	33,126
		<u>2,856,507</u>	<u>940,571</u>
Current assets			
Trade and other receivables	12	2,077,000	2,344,750
Cash and cash equivalents	13	809,161	222,051
		<u>2,886,161</u>	<u>2,566,801</u>
TOTAL ASSETS		<u>5,742,668</u>	<u>3,507,372</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	14	100,000	100,000
Retained earnings		2,059,132	1,202,635
Total equity		<u>2,159,132</u>	<u>1,302,635</u>
Non-current liabilities			
Lease liability	10	939,181	-
Deferred tax liability	8	219,513	85,033
		<u>1,158,694</u>	<u>85,033</u>
Current liabilities			
Trade and other payables	15	2,347,690	2,088,682
Lease liability	10	77,152	-
Deferred tax liability	8	-	31,022
		<u>2,504,005</u>	<u>2,119,704</u>
TOTAL EQUITY AND LIABILITIES		<u>5,742,668</u>	<u>3,507,372</u>

The notes on pages 16 to 34 form an integral part of these financial statements.

The financial statements on pages 12 to 34 were approved and authorised for issue by the Board on 23 July 2020 and were signed on its behalf by:



A Quirke
Director

Company Registration number: 06268340

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2018	100,000	1,364,399	1,464,399
Loss and total comprehensive expense for the year	-	(161,764)	(161,764)
At 31 December 2018	100,000	1,202,635	1,302,635
Profit and total comprehensive income for the year	-	856,497	856,497
At 31 December 2019	100,000	2,059,132	2,159,132

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

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

Share capital	Amount subscribed for shares at nominal value.
Retained earnings	Cumulative profit and losses are attributable to equity shareholders.

The notes on pages 16 to 34 form an integral part of these financial statements.

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		£	£
Profit / (loss) for the year		856,497	(161,764)
Cash flows from operating activities			
<i>Adjustments for:</i>			
Interest on finance lease		11,831	-
Depreciation		93,530	18,499
Amortisation		317,049	46,911
Decrease in trade and other receivables		259,257	651,097
Decrease / (increase) in deferred tax asset		30,815	(30,815)
Increase in trade and other payables		259,010	459,644
Increase in deferred tax liabilities		103,459	106,376
Net cash generated from operating activities		<u>1,931,448</u>	<u>1,089,948</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(195,256)	(24,405)
Acquisition of intangibles		(1,061,077)	(865,316)
Net cash used in investing activities		<u>(1,256,333)</u>	<u>(889,721)</u>
Cash flows from financing activities			
Interest charge on finance lease		(11,831)	-
Principal elements of lease payments		(76,174)	-
Net cash used in financing activities		<u>(88,005)</u>	<u>-</u>
Net increase in cash and cash equivalents		587,110	200,227
Cash and cash equivalents at the beginning of the year		222,051	21,824
Cash and cash equivalents at end of the year	13	<u><u>809,161</u></u>	<u><u>222,051</u></u>

The notes on pages 16 to 34 form an integral part of these financial statements.

SPECTRUM PAYMENT SERVICES LIMITED

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

1. General information

Spectrum Payment Services Limited is a private limited liability company incorporated and domiciled in England and Wales. The Company is a wholly owned subsidiary through direct holdings of Equals Group Plc. The Company financial statements are consolidated into the Group financial statements of its ultimate parent, Equals Group PLC and the financial statements are available from its registered office - Third Floor Thames House Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.

2. New standards, amendments and interpretations to published standards

The Company applied all applicable IFRS standards and all applicable interpretations published by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) for the year ended 31 December 2019.

Adoption of new and revised accounting standards and interpretations:

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

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

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

IFRS 16 *Leases*

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

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

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

The Company chose the modified retrospective transition approach, measuring right of use assets equal to the lease liability (subject to certain adjustments). Under this approach, comparative information is not restated. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

The Company also applied practical expedients allowed by the standard (note 3.15). Additional disclosures have been provided regarding the application of IFRS 16 in note 10.

SPECTRUM PAYMENT SERVICES LIMITED

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

Standards issued but not yet effective

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

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

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

3 Basis of presentation and significant accounting policies

The principal accounting policies applied in the preparation of the 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 presentation

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

IFRS requires management to make certain accounting estimates and to exercise judgement in the process of applying the Company accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.17.

Presentation adjustment

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

Change in accounting policy

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

SPECTRUM PAYMENT SERVICES LIMITED

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

a systemic basis. Under IAS 12 *Income Taxes* the R&D tax credit is included within tax credit / expense in the year that the claim relates to.

A change in accounting policy requires a retrospective adjustment if prior periods are affected. No periods prior to 2019 have been affected by the change in accounting policy and consequently the comparatives amounts have not been restated. There is no adjustment to earnings per share or retained earnings. In 2019 £181,643 has been recognised as tax income (see note 8).

2018	As stated	Presentational adjustment	Restated
	£	£	£
Statement of comprehensive income			
Revenue	3,025,725	-	3,025,725
Direct costs	(904,518)	(242,298)	(1,146,816)
Gross profit	2,121,207	(242,298)	1,878,909
Administrative expenses	(2,160,499)	242,298	(1,918,201)
Amortisation charge	(46,911)	-	(46,911)
Operating loss	(86,203)	-	(246,955)
Tax expense	(75,561)	-	(75,561)
Loss and total comprehensive loss for the year	(161,764)	-	(161,764)

Going Concern

Details of the Company'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. The Company is regulated by 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 Company, the regulatory environment and the effectiveness of risk management policies. The Board therefore has a reasonable expectation that the Company 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 Foreign currency

In preparing these financial statements, transactions in currencies other than the Company'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 statement of comprehensive income for the year.

3.3 Income recognition

The Company 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.

SPECTRUM PAYMENT SERVICES LIMITED

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

IFRS 15 applies a five-step model:

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

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

Revenue from banking operations is the Company's main revenue.

There are two distinct revenue streams, account residency charges and transaction-based charges. The account residency charge is due monthly and the revenue is recognised when the monthly service has been provided and it is probable that payment will be received. The transaction-based charges are recognised at the time the transaction is entered into by the customer and deducted from the customer's account.

The company also earns management fees from the provision of managerial and administrative services to companies within the Group. Management fee revenue is measured at the fair value of the consideration received and is included within administrative costs.

3.4 Pension Costs

The Company operates a defined contribution pension scheme and outsources the administration of the pension scheme to a third party. The Company 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.

3.5 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 Company intends to and has sufficient resources to complete development and sell the asset. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

3.6 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.

3.7 Taxation

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

3.8 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;

SPECTRUM PAYMENT SERVICES LIMITED

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

- temporary differences related to investments in subsidiaries to the extent that the Company 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

3.9 Intangible assets

(i) Recognition and measurement

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 Company 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.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(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. The estimated useful lives for current and comparative periods are as follows:

Non-patented technology	5 years
-------------------------	---------

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

3.10 Property, plant and equipment

Items of property, plant and equipment are 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:

SPECTRUM PAYMENT SERVICES LIMITED

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

Fixtures, fittings and equipment	20 - 50%
Leasehold improvements	10 - 25%

3.11 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 Company 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 Company's impairment policies and the calculation of the loss allowance are provided in note 3.16.

3.12 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. 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 Company that arise from the holding of customer money are principally vested with the customers. As a result, the Company does not account for customer cash in the Company's financial statements.

3.13 Trade and other payables

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

3.14 Provisions

A provision is recognised in the statement of financial position when the Company 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 statement of financial position date.

3.15 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Company 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 Company uses the definition of a lease in IFRS 16.

Contracts may contain both lease and non-lease components. The Company 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 Company 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 Company 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

SPECTRUM PAYMENT SERVICES LIMITED

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

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 Company applies the following practical expedients permitted by the standard:

- excluding short term leases (less than 12 months) and low-value items (less than USD 5,000)
- exercising extension options where the contract contains a provision.

There are no variable payment terms in current leases.

Policy applicable before 1 January 2019

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

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

3.16 Impairment

Non-derivative financial assets

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

The Company'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.

SPECTRUM PAYMENT SERVICES LIMITED

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

Trade and other receivables

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

3.17 Judgements and estimates

The preparation of the Company's financial statements requires management to make estimates, judgements and assumptions that affect the application of the Company'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 Company'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 Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company 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.

4. Revenue and segmental analysis

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. Revenue is derived from a single segment in the UK. This is consistent with the Board strategy. Therefore, no segmental reporting is provided.

SPECTRUM PAYMENT SERVICES LIMITED

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

5. Profit / (loss) before tax

Profit / (loss) before tax is stated after charging the following:-	2019	2018
	£	£
Operating leases – car	-	40,450
Depreciation of right of use asset	64,842	-
Depreciation of plant and equipment and fixtures and fittings	28,688	18,499
Amortisation of intangibles	317,049	46,911
Lease finance expenses	11,831	-
Bad debt write off	(1,561)	-
	<u> </u>	<u> </u>

During the year, the Company recognised all of its development costs as intangible assets.

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

	2019	2018
	£	£
Audit fees:-		
Fees payable for the audit of the annual report and financial statements	<u>12,000</u>	<u>11,000</u>

Audit fees in the current year were borne by the ultimate parent company.

6. Staff costs

Number of employees

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

	2019	2018
	Headcount	Headcount
Administrative staff	<u>91</u>	<u>84</u>

Employee costs

	2019	2018
	£	£
Wages and salaries	1,330,501	1,483,309
Social security costs	124,387	70,593
Other pension costs	61,015	9,027
	<u>1,515,903</u>	<u>1,562,929</u>

Employee costs are exclusive of £418,874 (2018: £350,052) reported within internally generated software intangibles. This comprised the portion of 12 employee costs, which related to the time invested to development of internally generated technology intangibles.

SPECTRUM PAYMENT SERVICES LIMITED

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

7. Company – Directors' remuneration

	2019	2018
	£	£
Total Remuneration (A D Rigler)	171,091	125,000

Other Directors' remuneration was borne by other Company entities.

8. Taxation

	2019	2018
	£	£
R&D tax credit	(344,126)	-
Current year tax credit	(344,126)	-
Deferred tax expense	134,273	75,561
Total tax credit expense	(209,853)	75,561

Factors affecting tax charge for the financial year

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

	2019	2018
	£	£
Profit / (loss) before taxation	646,644	(86,203)
Taxation at the UK corporation rate tax of 19% (2018: 19.00%)	122,862	(16,379)
Expenses not deductible for tax purposes	4,191	2,532
Depreciation in excess of capital allowances	20,919	-
Recognition/derecognition of deferred tax on unrecognised/recognised deductible temporary differences	-	122,931
Company relieved losses	-	14,123
Utilisation of group losses	(147,955)	-
Adjustments to tax liability in respect of previous accounting period	-	(7,369)
Recognition of deferred tax on carry forward tax losses	272	(2,582)
Net impact of R&D tax credit claim	(210,142)	(37,695)
Total tax charge for the year	(209,853)	75,561

SPECTRUM PAYMENT SERVICES LIMITED

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

Movement in deferred tax balances

	Net balance at 1 January	Recognised in P&L	Balance at 31 December	DTA	DTL
	£	£	£	£	£
2019					
Intangibles	(112,481)	(74,898)	(187,379)	-	(187,379)
Property, plant and equipment	(3,573)	(28,561)	(32,134)	-	(32,134)
Unutilised tax losses	2,581	(271)	2,310	2,310	-
Other	30,543	(30,543)	-	-	-
Net deferred tax (liability) / asset	(82,930)	(134,273)	(217,203)	2,310	(219,513)
	Net balance at 1 January	Recognised in P&L	Balance at 31 December	DTA	DTL
	£	£	£	£	£
2018					
Intangibles	-	(112,481)	(112,481)	-	(112,481)
Property, plant and equipment	(9,678)	6,105	(3,573)	-	(3,573)
Unutilised tax losses	2,309	272	2,581	2,581	-
Other	-	30,543	30,543	30,543	-
Net deferred tax asset/(liability)	(7,369)	(75,561)	(82,930)	33,124	(116,054)

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

SPECTRUM PAYMENT SERVICES LIMITED

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

9. Property, plant and equipment

	Fixtures, fittings & equipment £	Leasehold improvements £	Total £
Cost			
At 1 January 2019	252,390	-	252,390
Additions	65,259	129,997	195,256
At 31 December 2019	317,649	129,997	447,646
Depreciation			
At 1 January 2019	213,350	-	213,350
Charge for the year	25,738	2,950	28,688
At 31 December 2019	239,088	2,950	242,038
Net book value			
At 31 December 2019	78,561	127,047	205,608
	Fixtures, fittings & equipment £	Leasehold improvements £	Total £
Cost			
At 1 January 2018	227,985	-	227,985
Additions	24,405	-	24,405
At 31 December 2018	252,390	-	252,390
Depreciation			
At 1 January 2018	194,851	-	194,851
Charge for the year	18,499	-	18,499
At 31 December 2018	213,350	-	213,350
Net book value			
At 31 December 2018	39,040	-	39,040

10. Right of use assets and lease liability

(i) Measurement of lease liabilities

	2019 £
Operating lease commitments disclosed as disclosed at 31 December 2018 under IAS 17 <i>Leases</i>	97,702
Operating lease commitments later than five years, if extension options are exercised	40,317
Total operating lease commitments under IAS 17 <i>Leases</i> , including extension options	138,019
Discounted using the lessee's incremental borrowing rate of at the date of initial application	93,017

SPECTRUM PAYMENT SERVICES LIMITED

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

Of which are:

Not later than one year	38,967
Later than one year, including the extension periods	54,050

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

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

(ii) Measurement of Company's right of use assets

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

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

	1 Jan 2019
	£
Right of use assets	93,017
Deferred tax assets	-
Prepayments	-
Accruals	-
Lease liabilities	(93,017)
Retained earnings	-

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

Right of use assets	Property	Vehicles	Total
	£	£	£
At 1 January 2019	-	93,017	93,017
Additions to right of use assets	1,007,981	-	1,007,981
Depreciation charge for the year	(25,200)	(39,642)	(64,842)
At 31 December 2019	982,781	53,375	1,036,156

SPECTRUM PAYMENT SERVICES LIMITED

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

Lease Liabilities	Total £
At 1 January 2019	93,017
Additions to lease liabilities	999,487
Termination of lease liabilities *	-
Lease finance expenses	11,834
Lease termination expense	-
Payments	(88,005)
At 31 December 2019	1,016,333
Current lease liabilities	77,152
Non-current lease liabilities	939,181
	1,016,333

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

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

Depreciation charge of right of use assets	2019 £	2018 £
Depreciation charge for right of use assets - Property	25,200	-
Depreciation charge for right of use assets - Vehicles	39,642	-
Lease finance expenses	11,831	-
	76,673	-

The total cash outflow for leases in 2019 was £88,005 including for principal and interest.

11. Intangible assets

	Trademarks £	Non-patented technology £	Under construction £	Total £
Cost				
At 1 January 2019	187	513,321	574,308	1,087,816
Reclassifications	-	574,308	(574,308)	-
Additions	-	1,061,077	-	1,061,077
At 31 December 2019	187	2,148,706	-	2,148,893
Amortisation				
At 1 January 2019	187	219,224	-	219,411
Charge for the year	-	317,049	-	317,049
At 31 December 2019	187	536,273	-	536,460
Net book value				
At 31 December 2019	-	1,612,433	-	1,612,433

SPECTRUM PAYMENT SERVICES LIMITED

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

	Trademarks	Non-patented technology	Under construction	Total
	£	£	£	£
Cost				
At 1 January 2018	-	172,500	50,000	222,500
Reclassifications	-	50,000	(50,000)	-
Additions	187	290,821	574,308	865,316
At 31 December 2018	187	513,321	574,308	1,087,816
Amortisation				
At 1 January 2018	-	172,500	-	172,500
Charge for the year	187	46,724	-	46,911
At 31 December 2018	187	219,224	-	219,411
Net book value				
At 31 December 2018	-	294,097	574,308	868,405

The intangibles under construction balance consists of costs incurred on software development projects that were not completed before the end of the reporting period.

12. Trade and other receivables

	2019	2018
	£	£
Trade receivables	91,221	57,740
Amounts due from fellow group undertakings	1,606,489	2,045,120
Other receivables	211,513	202,126
Prepayments and accrued income	167,777	39,764
	2,077,000	2,344,750

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 16.2. Prepayments have increased in the year due to an increase in revenue.

Amounts due from fellow group undertakings are interest-free, repayable on demand and unsecured.

13. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	809,161	222,051

SPECTRUM PAYMENT SERVICES LIMITED

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

14. Share capital

	2019	2018
Company	£	£
Authorised, issued and fully paid up capital		
100,000 ordinary shares of £1 each	100,000	100,000

15. Trade and other payables

	2019	2018
	£	£
Trade payables	347,115	49,996
Amounts due to fellow group undertakings	1,812,979	1,648,298
Accruals	88,815	328,309
Social security and other taxation	98,781	21,424
Other payables	-	40,655
	2,347,690	2,088,682

Amounts due to fellow group undertakings are interest-free, repayable on demand and unsecured.

16. Financial instruments

The Company's financial instruments comprise cash, trade and other receivables and trade and other payables. The main purpose of these financial instruments is to provide working capital for the Company. In common with other businesses, the Company is exposed to the risk that arises from its use of financial instruments. Further quantitative information is found throughout these financial statements.

16.1 Principal financial instruments

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

	2019	2018
	£	£
Financial instruments held at amortised cost		
Cash and cash equivalents	809,161	222,051
Trade and other receivables	2,077,000	2,344,750
Trade and other payables	(2,347,690)	(2,088,682)
Lease liabilities	(1,016,333)	-

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

SPECTRUM PAYMENT SERVICES LIMITED

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

16.2 Financial risk management objectives and policies

Credit risk

As required under IFRS 9, the Company analysed its trade and other debtors. The Company has significant short-term receivables, which have either settled post balance sheet date or are considered negligible due to the financial strength of the counterparty. As such the impact of expected credit losses under IFRS 9 have been assessed as minimal.

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

2019	On demand	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	2,077,000	-	-	-	2,077,000

2018	On demand	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	2,344,750	-	-	-	2,344,750

Trade and other receivables include amounts due from Company undertakings of £906,938 (2018: £2,045,120).

Liquidity risk

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows and available cash balances. 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 Company's gross undiscounted financial liabilities by their contractual maturity date.

2019	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	2,347,690	-	-	-	2,347,690
Lease liabilities	-	21,041	56,111	939,181	1,016,333

2018	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	2,088,682	-	-	-	2,088,682

Trade and other payables include amounts due to fellow Company undertakings of £1,812,979 (2018: £1,648,298).

Market risk

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

SPECTRUM PAYMENT SERVICES LIMITED

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

Interest rate risk

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

Foreign currency risk

The Company's balance sheet currency exposure is primarily managed by matching currency assets with currency liabilities. The largest currency liabilities are created on entering into forward foreign currency transactions. As at 31 December 2019, the Company is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held (2018: £nil).

Fair value risk

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

31 December 2019	Financial assets £	Financial liabilities £	Total £
Financial assets not measured at fair value			
Cash and cash equivalents	809,161	-	809,161
Trade and other receivables	2,077,000	-	2,077,000
	<u>2,886,161</u>	<u>-</u>	<u>2,886,161</u>
Financial liabilities not measured at fair value			
Trade and other payables	-	2,347,690	2,347,690
Lease liabilities	-	1,016,333	1,016,333
	<u>-</u>	<u>3,364,023</u>	<u>3,364,023</u>
 31 December 2018	 Financial assets £	 Financial liabilities £	 Total £
Financial assets not measured at fair value			
Cash and cash equivalents	222,051	-	222,051
Trade and other receivables	2,344,750	-	2,344,750
	<u>2,566,801</u>	<u>-</u>	<u>2,566,801</u>
Financial liabilities not measured at fair value			
Trade and other payables	-	2,088,682	2,088,682
	<u>-</u>	<u>2,088,682</u>	<u>2,088,682</u>

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

Capital management policy and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern (see note 3.1) ; and
- to maximise the income and capital return to the Company's shareholders.

SPECTRUM PAYMENT SERVICES LIMITED

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

Spectrum Payment Services Limited, a wholly owned subsidiary, is subject to the following externally imposed capital requirements:

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

The Company has complied with the requirements of maintaining 10% of its fixed overheads throughout the year.

17. Related party transactions

Key management personnel

Key management who are responsible for controlling and directing the activities of the Company comprise the executive Directors, the Non-Executive Directors and senior management. The total amount payable to all Directors in the Company was £171,090 (2018: £125,000).

Other related party transactions (received from) / charged to are disclosed below:

	2019	2018
	£	£
Banking revenue from fellow Company undertakings	(57,093)	(34,680)
Management fee	(4,023,479)	(2,857,952)
Costs recharged by fellow Company undertakings	452,977	616,324

Amounts outstanding at year end are included in notes 12 and 15.

All related party transactions and balances are priced and settled on an arm's length basis. No expense has been recorded for bad or doubtful debts in respect of amounts owed to related parties in the current or prior year. There are no other related party transactions which, as a single transaction or in their entirety, are on may be material to the Company and have been entered into the Company during the year ended 31 December 2019.

18. Ultimate controlling party

Since 25 August 2017 no party has held a controlling interest in Equals Company Plc and as such the Directors consider Equals Company Plc to be the ultimate controlling party.

19. Post balance sheet events

On 11 March 2020 the World Health Organisation announced Covid-19 as a global pandemic and it has affected all aspects of normal life. The Company and the Equals Group has undoubtedly been impacted by this situation but is confident that it is positioned well. The Company has taken steps to preserve its cash flow and Group revenues have increased in 2020. The Company has the support of the Group should it be required. Covid-19 is a non-adjusting post balance sheet event.

On 26 June 2020, a supplier to the Company, Wirecard Card Services ('WDGS'), had its regulatory licence temporarily suspended by the FCA with the suspension lifted on the 29 June 2020. This suspension affected the Company's retail card customers, the corporate card programme unaffected. The Company has contingency plans in place should the situation at WDGS deteriorate, including two alternative card issuers already integrated into the Company and wider Group.