

SPECTRUM PAYMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



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SPECTRUM PAYMENT SERVICES LIMITED

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SPECTRUM PAYMENT SERVICES LIMITED

COMPANY INFORMATION **YEAR ENDED 31 DECEMBER 2021**

Directors

I A I Strafford-Taylor
R Q M Cooper (appointed 22 January 2021)
A J Phillips (appointed 22 January 2021)
I P Campbell (appointed 26 April 2021)
M Boon
M T Newland (appointed 22 January 2021)
S England (appointed 22 January 2021)

Registered Office

3rd Floor
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ
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 2021

About Spectrum Payment Services Limited ("the Company")

The Company, a wholly owned subsidiary of Equals Group PLC ("the Group"), offers retail and business bank accounts with all the payments 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. To facilitate these services, the Company is a member of the Faster Payments Scheme and a member of SWIFT and acquires certain other services from its banking partners and other group subsidiaries.

In line with Group strategy, the Company will continue to pursue a growth strategy through investment in product and sales and marketing, with a focus on business customers.

Principal activities

The principal activity of the Company during the year was to provide payment banking services to both private customers and corporations. The Company is a wholly owned subsidiary of Equals Group Plc and is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services.

Review of business

Despite the ongoing COVID-19 pandemic continuing into 2021, Company revenue increased by 11% to £5,743,477 (2020: £5,167,704).

Gross profit was £4,032,594 (2020: £3,728,476), an increase of 8%. Company gross profit is stated after the deduction of direct costs which increased by 19% to £1,710,883 (2020: £1,439,228). The gross profit margin (gross profit over revenue) was 70% (2020: 72%).

Company overheads increased by 5% to £2,869,591 (2020: £2,733,330). Despite the increase in costs, the Company continued to be profitable, generating a profit before tax of £555,662 for the year (2020: £525,113).

The net cash position of the Company at 31 December 2021 was £977,146 (2020: £989,817) excluding client funds. Accordingly, the Company has sufficient cash resources to continue implementing its growth strategy.

Principal and financial risks and uncertainties

The Directors have reviewed the risks and uncertainties facing the Company and consider the key risk areas to be financial crime and data security. To manage and mitigate these risks, the Company has robust policies and procedures in place including a Risk Register; client onboarding and anti-money laundering controls, procedures and training; and automated transaction monitoring.

A description of the financial risks of the Company and measures taken to mitigate them may be found in note 17.

Outlook

The Company 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 the Company contributing to the Group focus on offering a unified platform of payments, cards and current account solutions, supported by impressive infrastructure and customer service capability to provide a superior customer experience.

SPECTRUM PAYMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 stakeholders, 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 Group's success. Fortnightly "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.

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. All suppliers, particularly low value suppliers are paid promptly on their invoices being validated by the approved personnel in the Company. The Company 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 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, where 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.

Recent geo-political events

Following the recent events, the Company 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 Company is not material as the Company's direct exposure to the region is extremely limited, the Company will continue to monitor the situation closely.

The Strategic Report on pages 3 to 4 was approved and authorised for issue by the Board on 20 May 2022, and was signed on its behalf by:



Richard Q M Cooper
Director

SPECTRUM PAYMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and audited financial statements for the year ended 31 December 2021.

General information

The Company is a private company, limited by shares, incorporated in the United Kingdom. The Company is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 for the provision of payment services. The Company financial statements have been prepared in accordance with the Company's accounting policies under International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

Results and dividends

The results for the year are shown on page 10. The Company made a profit before taxation for the year of £555,662 (2020: £525,113). The Directors do not recommend the payment of a dividend (2020: nil).

The Strategic Report set out on pages 3 to 4 provides an assessment of the Company's financial performance throughout the year.

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 Trafford-Taylor
R Q M Cooper (appointed 22 January 2021)
A J Phillips (appointed 22 January 2021)
I P Campbell (appointed 26 April 2021)
M T Newland (appointed 22 January 2021)
M Boon
S England (appointed 22 January 2021)

Other changes in directors holding office are as follows:

A J Quirke (resigned 21 January 2021)

Risks and risk management

The Company's exposure to risks and uncertainties is outlined in the Strategic Report and note 17.

Independent auditors

PricewaterhouseCoopers LLP have been re-appointed pursuant to section 487(2) of the Companies Act 2006 unless the members or Directors resolve otherwise.

Disclosure of information to the auditors

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.

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, including support from the Group, 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.

Outlook

The Strategic Report includes an outlook for the forthcoming financial year.

Approved by the Board on 20 May 2022 and signed on its behalf by:



Richard Q M Cooper
Director

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC AND DIRECTORS' REPORTS AND FINANCIAL STATEMENTS

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 the Directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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:

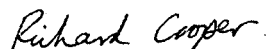
- select suitable accounting policies and then apply them consistently;
- state that international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable, relevant and reliable;
- 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 20 May 2022 and signed on its behalf by:



Richard Q M Cooper
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 2021 and of its profit and 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: statement of financial position as at 31 December 2021; statement of comprehensive income, statement of cash flows, and 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

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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECTRUM PAYMENT SERVICES LIMITED (CONTINUED)

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 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, 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.

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, Anti-Money Laundering legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the 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;
- 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; and
- 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 intangible assets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECTRUM PAYMENT SERVICES LIMITED (CONTINUED)

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.

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.

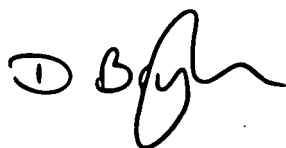
Other required reporting

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 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
London
20 May 2022

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

		2021	2020
	Note	£	£
Gross value of banking deposit transactions ^{*1}	3.3	1,331,181,151	821,426,227
Revenue	4	5,743,477	5,167,704
Transaction and commission costs		(1,710,883)	(1,439,228)
Gross profit		4,032,594	3,728,476
Administrative expenses		(2,595,283)	(2,543,062)
Depreciation charge	9, 10	(274,308)	(190,268)
Amortisation charge	11	(565,823)	(433,479)
Operating profit	5	597,180	561,667
Finance cost	10	(41,518)	(36,554)
Profit before tax		555,662	525,113
Tax charge	8	(73,836)	(40,090)
Profit and total comprehensive income for the year		481,826	485,023

^{*1} Gross value of 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 3.3 for more guidance.

All income and expenses arise from continuing operations.

The notes on pages 14 to 28 form an integral part of these financial statements.

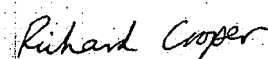
SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	148,377	185,569
Right of use asset	10	1,054,954	944,870
Intangible assets	11	1,247,459	1,510,554
Deferred tax asset	8	-	55,929
		<u>2,450,790</u>	<u>2,696,922</u>
Current assets			
Stock	12	19,737	39,058
Trade and other receivables	13	1,456,777	673,112
Cash and cash equivalents	14	977,146	989,817
		<u>2,453,660</u>	<u>1,701,987</u>
TOTAL ASSETS		<u>4,904,450</u>	<u>4,398,909</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	15	100,000	100,000
Retained earnings		3,025,981	2,544,155
Total equity		<u>3,125,981</u>	<u>2,644,155</u>
Non-current liabilities			
Lease liability	10	868,129	846,253
Deferred tax liability	8	277,509	259,602
		<u>1,145,638</u>	<u>1,105,855</u>
Current liabilities			
Trade and other payables	16	422,492	527,523
Lease liability	10	210,339	121,376
		<u>632,831</u>	<u>648,899</u>
TOTAL EQUITY AND LIABILITIES		<u>4,904,450</u>	<u>4,398,909</u>

The notes on pages 14 to 28 form an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved and authorised for issue by the Board on 20 May 2022 and were signed on its behalf by:



Richard Q M Cooper
Director

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earnings	Total
	£	£	£
Balance as at 1 January 2020	100,000	2,059,132	2,159,132
Profit and total comprehensive income for the year	-	485,023	485,023
Balance as at 31 December 2020	100,000	2,544,155	2,644,155
Profit and total comprehensive income for the year	-	481,826	481,826
Balance as at 31 December 2021	100,000	3,025,981	3,125,981

The notes on pages 14 to 28 form an integral part of these financial statements.

SPECTRUM PAYMENT SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		£	£
Profit before tax		555,662	525,113
Cash flows from operating activities			
<i>Adjustments for:</i>			
Depreciation		274,308	190,268
Amortisation		565,823	433,479
Decrease/(increase) in stock		19,321	(2,079)
(Increase)/decrease in trade and other receivables* ¹		(727,735)	1,201,713
Decrease in trade and other payables* ²		(160,961)	(1,837,140)
Finance costs		41,518	36,554
Net cash inflow		567,936	547,908
Tax receipts		-	128,549
Net cash generated from operating activities		567,936	676,457
Cash flows from investing activities			
Acquisition of property, plant and equipment		(9,498)	(25,960)
Acquisition of intangibles		(302,728)	(331,600)
Net cash used in investing activities		(312,226)	(357,560)
Cash flows from financing activities			
Interest charge on finance lease		(40,451)	(36,554)
Interest paid		(1,067)	-
Principal elements of lease payments		(226,863)	(101,687)
Net cash used in financing activities		(268,381)	(138,241)
Net (decrease)/increase in cash and cash equivalents		(12,671)	180,656
Cash and cash equivalents at the beginning of the year		989,817	809,161
Cash and cash equivalents at end of the year	14	977,146	989,817

*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 14 to 28 form an integral part of these financial statements.

SPECTRUM PAYMENT SERVICES LIMITED

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

1. Information

The Company is a private limited liability company incorporated and domiciled in the United Kingdom. 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

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

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Covid-19-Related Rent Concessions – 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 Company:

- *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 1 January 2023)*

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.

3.1 Basis of presentation

These financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements are presented in sterling, the Company'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 accounting policies. These estimates are based on the Directors best knowledge and past experience and are explained further in note 3.19.

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.

SPECTRUM PAYMENT SERVICES LIMITED

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

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 at the 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 Gross value of banking deposit transactions

The gross value of banking deposit transactions represents the gross value of banking deposits made by customers on which the Company earns residency and transaction-based fees. This value is a non-GAAP measure and therefore disclosed as additional information in the statement of comprehensive income.

3.4 Income recognition

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.

3.5 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.

3.6 Research and development

Research costs are expensed as incurred. Expenditure on IT software and development is recognised as an intangible asset only if the expenditure can be measured reliably, when the intangible asset is technically and commercially feasible, future economic benefits are probable, and the 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.

3.7 Treatment of research and development tax credits

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

3.8 Taxation

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

3.9 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 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.

SPECTRUM PAYMENT SERVICES LIMITED

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

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.

3.10 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.

3.11 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:

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

3.12 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 3.18.

3.13 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.

SPECTRUM PAYMENT SERVICES LIMITED

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

3.14 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.

3.15 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.

3.16 Provisions excluding those under IFRS 9 (see note 3.18)

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.

3.17 Leases

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 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.

SPECTRUM PAYMENT SERVICES LIMITED

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

3.18 Impairment

Financial assets

IFRS 9 offers two approaches for measuring and recognising a 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.

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 a lifetime expected Credit Loss at each reporting date.

3.19 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.

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 requires 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

The Company only has one operating segment, Banking, which is reported to the Board of Directors (being the chief operating decision maker) to assess both performance and support strategic decisions. These financial statements present the results of the one operating segment and as such segment results have not been disclosed again in this note.

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 2021

5. Operating profit

Operating profit is stated after charging the following:

	2021	2020
	£	£
Staff costs (note 6)	1,674,440	2,073,083
Depreciation of right of use asset	227,618	144,269
Depreciation of plant and equipment and fixtures and fittings	46,690	45,999
Amortisation of intangibles	565,823	433,479
IT costs	406,412	315,148
Professional fees	38,905	36,359
Marketing costs	346,407	129,799
Property and office costs	109,481	77,865
Travel and subsistence	18,729	18,236
Other	909	(107,428)

The auditors' remuneration for the statutory audit of £18,000 excluding VAT (2020: £16,100 excluding VAT) is borne by the ultimate parent company, Equals Group Plc. There are no non-audit fees.

6. Staff costs

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

	2021	2020
	Headcount	Headcount
Administrative staff	77	90

Employee costs

	2021	2020
	£	£
Wages and salaries	1,337,556	1,891,936
Social security costs	207,491	158,829
Other pension costs	129,393	117,268
	1,674,440	2,168,033
Employee furlough government grant received	-	(94,950)
	1,674,440	2,073,083

Employee costs are exclusive of £298,829 (2020: £320,310) reported within internally generated software intangibles.

7. Directors' remuneration

	2021	2020
	£	£
Total Remuneration	-	-

None of the Directors were remunerated in respect of their services as a Director of the Company (2020: £Nil).

SPECTRUM PAYMENT SERVICES LIMITED

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

8. Tax charge

	2021	2020
	£	£
R&D tax charge – prior year adjustment	-	53,094
Current tax charge	-	53,094
Deferred tax charge / (credit)	73,836	(13,004)
Total tax charge	73,836	40,090

Factors affecting tax charge for the financial year

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

	2021	2020
	£	£
Profit before taxation	555,662	525,113
Taxation at the UK corporation rate tax of 19% (2020: 19%)	105,576	99,771
Temporary and permanent timing differences	42,271	16,672
Company relieved losses	(34,598)	(19,481)
Recognition of DTA on tax losses transferred from fellow subsidiary undertaking	-	(53,347)
Adjustments in respect of previous accounting period	-	53,094
Effect of change in tax rates	22,644	25,492
Utilisation of tax losses	(55,929)	(2,582)
Recognition of deferred tax on carry forward tax losses	55,929	-
Net impact of R&D	(62,057)	(79,529)
Total tax charge for the year	73,836	40,090

Movement in deferred tax balances

	Net balance at 1 January	Transfers from fellow undertaking	Recognised in P&L	Balance at 31 December	DTA	DTL
2021	£	£	£	£	£	£
Intangibles	(227,410)	-	(24,027)	(251,437)	-	(251,437)
Property, plant and equipment	(32,192)	-	6,120	(26,072)	-	(26,072)
Unutilised tax losses	55,929	-	(55,929)	-	-	-
Net deferred tax liability	(203,673)	-	(73,836)	(277,509)	-	(277,509)

SPECTRUM PAYMENT SERVICES LIMITED

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

8. Tax charge (continued)

	Net balance at 1 January	Transfers from fellow undertaking	Recognise d in P&L	Balance at 31 Decemb er	DTA	DTL
2020	£	£	£	£	£	£
Intangibles	(187,379)	-	(40,031)	(227,410)	-	(227,410)
Property, plant and equipment	(32,134)	526	(584)	(32,192)	-	(32,192)
Unutilised tax losses	2,310	-	53,619	55,929	55,929	-
Net deferred tax (liability) / asset	(217,203)	526	13,004	(203,673)	55,929	(259,602)

The standard rate of corporation tax applicable to the Company for the year ended 31 December 2021 was 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.

The Company has estimated tax losses of £Nil (2020: £294,362) available to carry-forward against future trading profits. The losses can be carried forward indefinitely and have no expiry date.

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 Company has concluded that the deferred assets will be recoverable using estimated future taxable income based on a five-year forecast horizon. There are no unrecognised deferred tax assets.

9. Property, plant and equipment

	Fixtures, fittings & equipment	Leasehold improvements	Total
	£	£	£
Cost			
At 1 January 2021	337,493	136,113	473,606
Additions	6,642	2,856	9,498
At 31 December 2021	344,135	138,969	483,104
Accumulated depreciation			
At 1 January 2021	271,659	16,378	288,037
Charge for the year	32,983	13,707	46,690
At 31 December 2021	304,642	30,085	334,727
Net book value			
At 31 December 2021	39,493	108,884	148,377

SPECTRUM PAYMENT SERVICES LIMITED

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

9. Property, plant and equipment (continued)

	Fixtures, fittings & equipment £	Leasehold improvements £	Total £
Cost			
At 1 January 2020	317,649	129,997	447,646
Additions	19,844	6,116	25,960
At 31 December 2020	337,493	136,113	473,606
Accumulated depreciation			
At 1 January 2020	239,088	2,950	242,038
Charge for the year	32,571	13,428	45,999
At 31 December 2020	271,659	16,378	288,037
Net book value			
At 31 December 2020	65,834	119,735	185,569

10. Leases

Right of use assets	Property £	Vehicles £	Total £
At 1 January 2020	982,781	53,375	1,036,156
Additions to right of use assets	12,000	40,983	52,983
Depreciation charge for the year	(101,212)	(43,057)	(144,269)
At 31 December 2020	893,569	51,301	944,870
Additions to right of use assets	-	337,702	337,702
Depreciation charge for the year	(105,764)	(121,854)	(227,618)
At 31 December 2021	787,805	267,149	1,054,954

Lease Liabilities

	Property £	Vehicles £	Total £
At 1 January 2020	962,995	53,338	1,016,333
Additions to lease liabilities	12,000	40,983	52,983
Lease finance expenses	34,703	1,851	36,554
Payments	(91,675)	(46,566)	(138,241)
At 31 December 2020	918,023	49,606	967,629
Additions to lease liabilities	-	337,702	337,702
Lease finance expenses	32,652	7,799	40,451
Payments	(129,632)	(137,682)	(267,314)
At 31 December 2021	821,043	257,425	1,078,468

SPECTRUM PAYMENT SERVICES LIMITED

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

10. Leases (continued)

Lease Liabilities

	2021	2020
	£	£
Current lease liabilities	210,339	121,376
Non-current lease liabilities	868,129	846,253
	1,078,468	967,629

Amounts recognised in the consolidated statement of comprehensive income

Depreciation charge of right of use assets	Property	Vehicles	2021	Property	Vehicles	2020
	£	£	£	£	£	£
Depreciation charge for right of use assets	105,764	121,854	227,618	101,212	43,057	144,269
Lease finance expenses	32,652	7,799	40,451	34,703	1,851	36,554
	138,416	129,653	268,069	135,915	44,908	180,823

The total cash outflow for leases in 2021 was £267,314 (2020: £138,241) including for principal and interest.

11. Intangible assets

	Trademarks	Non-patented technology	Total
	£	£	£
Cost			
At 1 January 2021	187	2,480,306	2,480,493
Additions	-	302,728	302,728
At 31 December 2021	187	2,783,034	2,783,221
Accumulated amortisation			
At 1 January 2021	187	969,752	969,939
Charge for the year	-	565,823	565,823
At 31 December 2021	187	1,535,575	1,535,762
Net book value			
At 31 December 2021	-	1,247,459	1,247,459

SPECTRUM PAYMENT SERVICES LIMITED

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

11. Intangible assets (continued)

	Trademarks	Non-patented technology	Total
	£	£	£
Cost			
At 1 January 2020	187	2,148,706	2,148,893
Additions	-	331,600	331,600
At 31 December 2020	<u>187</u>	<u>2,480,306</u>	<u>2,480,493</u>
Accumulated amortisation			
At 1 January 2020	187	536,273	536,460
Charge for the year	-	433,479	433,479
At 31 December 2020	<u>187</u>	<u>969,752</u>	<u>969,939</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>1,510,554</u>	<u>1,510,554</u>

12. Stock

	2021	2020
	£	£
Finished goods	<u>19,737</u>	<u>39,058</u>

The Company's stock comprises of cards. Included within cost of sales is a charge relating to stock of £63,707 (2020: £55,891) incurred in the ordinary course of business.

13. Trade and other receivables

	2021	2020
	£	£
Trade receivables	169,409	78,778
Amounts due from fellow group undertakings (note 18)	1,154,750	516,531
Other receivables	4,489	6,600
Prepayments and accrued income	128,129	71,203
	<u>1,456,777</u>	<u>673,112</u>

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 17.2.

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

14. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	<u>977,146</u>	<u>989,817</u>

SPECTRUM PAYMENT SERVICES LIMITED

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

15. Share capital

	2021	2020
	£	£
Authorised, issued and fully paid up capital		
100,000 (2020: 100,000) ordinary shares of £1 each	100,000	100,000

16. Trade and other payables

	2021	2020
	£	£
Trade payables	192,747	190,290
Accruals	121,301	132,725
Social security and other taxation	108,444	204,508
	422,492	527,523

17. 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.

17.1 Principal financial instruments

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

	2021	2020
	£	£
Financial instruments held at amortised cost		
Cash and cash equivalents	977,146	989,817
Trade and other receivables	1,329,836	602,465
Trade and other payables	(314,048)	(323,015)
Lease liabilities	(1,078,468)	(967,629)

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 2021

17.2 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:

2021	On demand	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	1,329,836	-	-	-	1,329,836

2020	On demand	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other receivables	602,465	-	-	-	602,465

Liquidity risk

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows and available cash balances.

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

2021	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	314,048	-	-	-	314,048
Lease liabilities	17,379	35,632	157,328	868,129	1,078,468

2020	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payables	323,015	-	-	-	323,015
Lease liabilities	13,107	26,213	117,959	1,038,904	1,196,183

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 2021

17.2 Financial risk management objectives and policies (continued)

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 liabilities are not materially affected by changes in interest rates.

Foreign currency risk

Foreign currency risk arises from having assets and liabilities in currencies other than sterling. The Company's balance sheet currency exposure is primarily managed by matching currency assets with currency liabilities. As at 31 December 2021 and 31 December 2020 the Company is not sensitive to movements in the strength of Sterling as no material foreign currency balances are held.

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 as the carrying amount is a reasonable approximation of fair value.

31 December 2021	Financial assets £	Financial liabilities £	Total £
Financial assets			
Cash and cash equivalents	977,146	-	977,146
Trade and other receivables	1,329,836	-	1,329,836
Financial liabilities			
Trade and other payables	-	(364,048)	(364,048)
Lease liabilities	-	(1,078,468)	(1,078,468)
	2,306,982	(1,442,516)	864,466
 31 December 2020	 Financial assets £	 Financial liabilities £	 Total £
Financial assets			
Cash and cash equivalents	989,817	-	989,817
Trade and other receivables	602,465	-	602,465
Financial liabilities			
Trade and other payables	-	(323,015)	(323,015)
Lease liabilities	-	(967,629)	(967,629)
	1,592,282	(1,290,644)	301,638

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, 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 €323,000, whichever is the higher.

SPECTRUM PAYMENT SERVICES LIMITED

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

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

18. Related party transactions

Key management personnel

Key management who are responsible for controlling and directing the activities of the Company comprise the Executive Directors of the Group and the Directors of the Company. The total amount payable to all Directors of the Company in respect of their services to the Company was £Nil (2020: £Nil).

Intercompany transactions and balances with the rest of the Group:

	Due from 2021	Due to 2021	Due from 2020	Due to 2020
	£	£	£	£
Balance sheet				
Equals Group Plc	1,099,854	-	457,959	-
Fair Payments Limited	54,896	-	58,572	-
	1,154,750	-	516,531	-
	Due from 2021	Due to 2021	Due from 2020	Due to 2020
	£	£	£	£
Income statement				
FairFX Plc	-	851,097	844,455	(52,274)
Fair Payments Limited	542,892	-	-	(252,164)
	542,892	851,097	844,455	(304,438)

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 2021.

19. Ultimate controlling party

Equals Group Plc is the Company's ultimate parent company and is considered by the Directors to be the ultimate controlling party. The largest and smallest group in which the results of the Company are consolidated is that headed by Equals Group PLC. The registered office address of Equals Group PLC is 3rd Floor Thames House, Vintners' Place, 68 Upper Thames Street, London EC4V 3BJ, England. Copies of the consolidated accounts may be obtained from <https://www.equalsplc.com/content/investors>.

20. 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.