RS2

together beyond payments

Annual Report & Financial Statements

2020

Accelerating Growth

Europe
North America
Latin America
Middle East & Africa
Asia Pacific

RS2

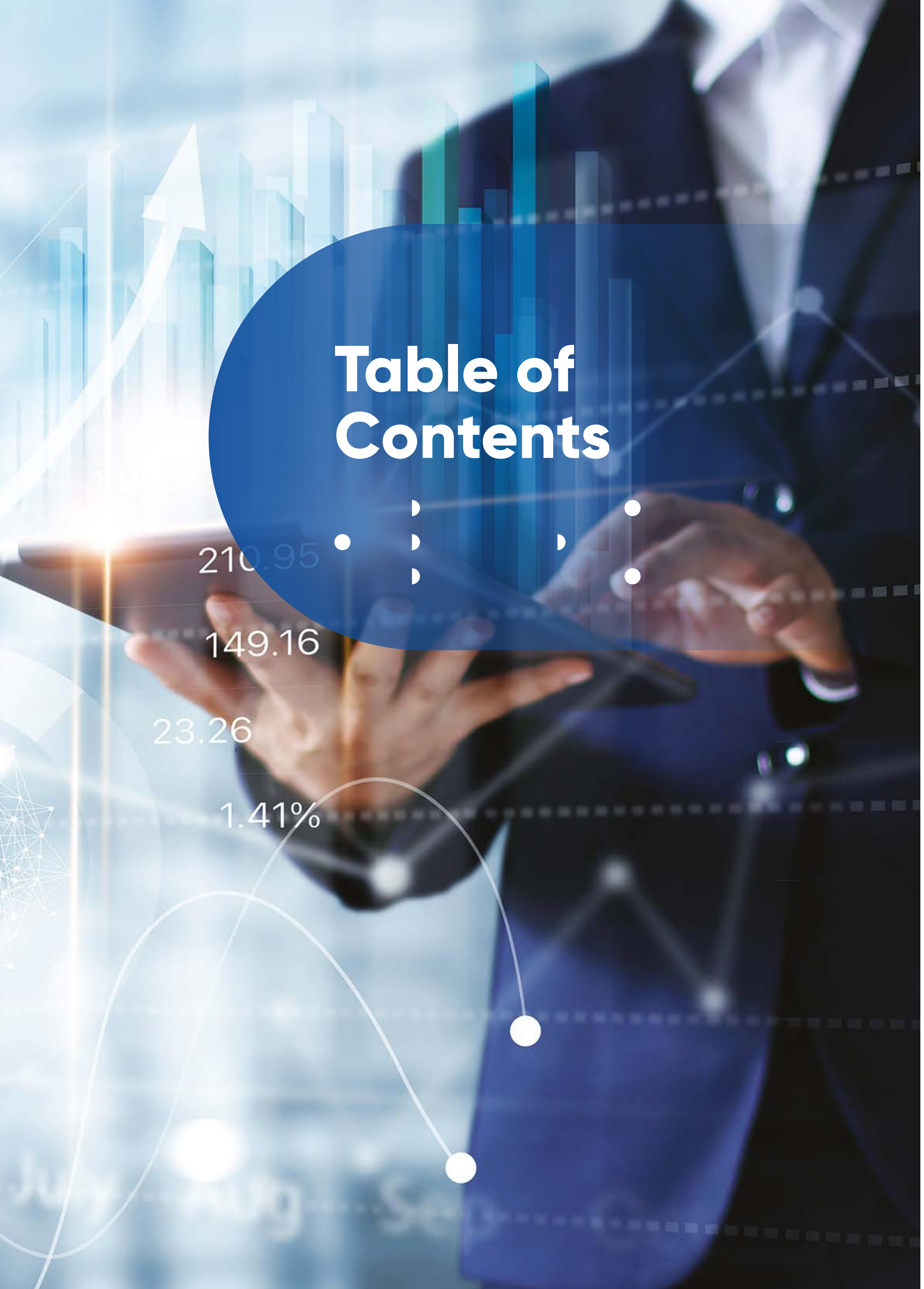


Table of Contents

Annual Report

Financial Statements

Who We Are

Our Global Presence

1
Single platform for all payment methods across the globe

30+
Years of experience

7
Offices worldwide

480
Employees

250
Banks & PSPs served

16 Million
Merchants served indirectly

80 Million
Transactions per hour

350 Million
Cards issued

25 Billion
Transactions processed

Who We Are

RS2 Group is one of the world's leading providers of global omni/multi-channel payment solutions and technologies for issuers and acquirers.

For over 30 years, RS2 Group has been providing acquiring and processing services to a wide range of customers such as banks, large financial institutions, integrated software vendors (ISVs), payment facilitators (PayFacs), independent sales organisations (ISOs), and merchants throughout Europe, North America, Latin America (LATAM), Asia Pacific (APAC) and Middle East. Among these clients are 5 of the top 20 multinational and local acquirers, which provide services for thousands of small and medium-sized entities (SMEs) and large enterprises as well as the largest payment processors, who serve over 37 financial institutions and more than 70 payment service providers (PSPs). RS2 clients utilise the BankWORKS® platform to process their business in more than 35 different countries across 5 continents, processing thousands of transactions per second in more than 170 currencies and settling in more than 80 currencies across omni-channels. Today, RS2 clients provide services to more than 16 million merchants and over 350 million cards around the globe through the various business lines of the Group.

The BankWORKS® platform is built on the latest technology providing an end-to-end payment solution to financial institutions, PSPs, PayFacs, ISVs, retails such as payment gateway, switching of payment transactions originated from POS, ATM, e-Commerce, InAPP, clearing and settlement, chargeback management integrated in the merchant portal, fraud and risk monitoring, reporting and statement, and a sub-GL accounting and automated reconciliation that fully integrates with the client's general ledger.

The uniqueness of the solution, being one single global platform deployed on the cloud, provides the customer through one single API sandbox integration, the ability to transact globally, integrating to local acquirers and issuers to increase their conversion rate, reduce their interchange and other related fees and charges, and provide them with quick access to the market.
The Group is well-positioned to service multinational customers and process their international and local payments, providing them with one single view, consolidated reporting and reconciliation of their entire businesses in multi-languages, multi-currencies including crypto, and other digital currencies in multiple time zones.

We, at RS2, aim to shape the future of payments. We aim to exceed our customers' expectations through the provision of worldwide, scalable and agile solutions empowering issuing and acquiring on the same platform, combined with best-in-class digital customer services. We are unswerving in our efforts to achieve growth and reach our business objectives for the benefit of our loyal shareholders. We hold our employees in high esteem and provide a pleasant, high-performing and learning environment to unleash their full potential. We aim to carry out our corporate social responsibility to support the community in which we form part.

RS2's values reflect our objectives internally and externally, our priorities and the beliefs by how we conduct ourselves and carry out business activities. They guide all of us in everything we do and in how we engage with each other and our surroundings: We respect, we empower, we learn, we collaborate and we innovate.

Our business lines cover the entire value chain of payments and digital commerce

SOFTWARE SOLUTIONS

Licensing of BankWORKS® Software to banks and financial institutions

- Selling term or perpetual licenses
- Customisation, implementation and installation services
- Upgrades, enhancement and update mandated by card organisations
- Additional services including onsite support for testing, implementation and training
- Value Added Services

PROCESSING SOLUTIONS

Processing of payment transactions utilising BankWORKS® software

- BankWORKS® as a Managed Service
- Clients can access payments as a service on a private/public cloud solution for acquiring, issuing, clearing and settlement covering multiple omni-channels
- Provision of installation services (setup)
- Other services including statements, chargebacks, merchant portal, e-commerce gateway

Unlocking the complexity of global commerce

One global platform
Global state-of-the-art solution and global coverage, instant and real-time payments

Omnichannel
True omnichannel covering all payment sources (online, offline, mobile)

API-enabled
Single platform with single API integration – one source code for SMEs and large enterprises

Highly performance
Robust 99.99% availability and high-performance engine

Flexibly configurable
Configurable by client, region, currency, business type, and channel

Scalable
Cloud-based solution linearly scalable with no lead time for infrastructure upgrade

One single platform empowering global commerce for Acquiring and Issuing

- Onboarding Services
- Reconciliation and Settlement Services
- Dispute and Chargeback Services
- Risk and Fraud Services
- Value Added Services

MERCHANT SOLUTIONS

Offering issuing and acquiring payment solutions directly to merchants

- Acquiring - merchant's products and services for online and mobile payments including selling and renting of terminals, technical network services and clearing and settlements
- Issuing - consumer products and services for cards, including pre-paid, gift, and loyalty cards as closed or open-loop systems
- Authorisation
- Clearing and Reconciliation
- Fraud and Risk Management
- Settlement and Funding

HYBRID SOLUTIONS FOR TIER 1 BANKS

Own the license and use our services

- Control over the licenced version of the BankWORKS® platform
- High security over the hosted data
- Compliant with industry standards
- Outsourced resource expertise in data centre operations, infrastructure and BankWORKS® application management

Chairman's Statement

2020 has been a challenging year for the entire world. The COVID-19 pandemic had far-reaching social, economic, and geopolitical negative impacts globally while changing the smallest details of our everyday lives. I would like to express my deepest sympathy to anyone who has been personally affected by the virus.

I am pleased to report that RS2 Group adapted extremely well to challenges brought about by the COVID-19 pandemic and mitigated the effects of the pandemic on our employees, clients, partners and business. The Group's response to the pandemic was based on an agile management culture leveraged by a technology-based culture and preparedness, to seamlessly switch over to home productivity with minimal disruption. RS2 Group, as a service provider, triggered its Business Continuity Plan (BCP) to ensure the safety and well-being of our employees and to continue providing our services with no impact or interruption to business.

Despite the world economic downturn and the challenges brought about by COVID-19, 2020 transpired to be a year within which the Group entered into significant revenue contracts across different regions including APAC, North America, Europe, and LATAM. The Group executed strategic milestones to increase its customer base and diversify its global business in line with its strategy.

The Group prepared to enter into a new era, the Direct Merchant Acquiring and Issuing Services, building a solid and competitive offering in the market. This new business line "Merchant Solutions" enables the Group to expand its service offerings within the payment value chain and to offer merchants a turnkey solution. The Group applied for its own E-Money Institution (EMI) license that will be regulated by BaFin (the Federal Financial Supervisory Authority in German) to manage merchant funding, provide acquiring services and to issue payment instruments. The license will result in a substantial change in the revenue model for the Group from dependence on one-time license fees to ongoing and recurring revenue based on the number and value of transactions processed.

To support the framework of the new acquiring business line in conjunction with the process undertaken to obtain its financial license, the Group continued to invest in human resources during the year 2020. Management and team structures are in place and the business is preparing for the market launch.

The Group has continued to enhance its platform globally to on-board more businesses that target large financial institutions, ISVs, PayFacs, and merchants from various industries globally. This is done by providing issuing and acquiring processing services throughout Europe, Middle East, North America, LATAM, and APAC, covering various industries while reducing the cost of the BankWORKS® platform infrastructure.

During the year the Group remained focused on implementing and delivering the Group's strategy around its main business pillars namely starting its Direct Merchant Acquiring and Issuing Services in Europe and the USA. In order to reach these goals, the Company has increased its Authorised Share Capital and in addition created a new class of Preference Shares by way of an extraordinary resolution of the shareholders during an EGM held on 15 December 2020.

I would like to take this opportunity to thank our team members across the world for their commitment and dedication during the COVID-19 pandemic. While working remotely, they have maintained high customer service levels, as well as supported the well-being of their families. I would also like to thank our Board of Directors for their guidance and support throughout the challenging year, and to our Chief Executive Officer (CEO) who has worked untiringly to execute our strategy and grow the Group's business.

While the challenges and uncertainties of COVID-19 remain, I am confident that the RS2 Group has the right strategy to overcome these challenges. We look forward to continuing this journey together – beyond payments.

Mario Schembri
Chairman

29 April 2021

CEO's Statement

Responding to the global COVID-19 pandemic

2020 has been an extraordinary year, the COVID-19 pandemic has impacted each of us. Despite the negative impact, sometimes crises also bring about advantages and we have noticed the acceleration, where we had to shift, almost within a matter of days, our lives into the digital world. Our routines have been disordered, from substituting our daily commute to the office to a permanent home office, our children being forced to be home-schooled, and all our physical meetings being replaced with video calls.

The year 2020 has been characterised by various lockdowns that were the consequence of the COVID-19 pandemic with far-reaching social, economic, and geopolitical negative impacts globally. The Group's response to this is based on an agile management culture, leveraged by a technology-based culture and preparedness, to seamlessly switch over to work from home with minimal disruption, noticing the increase in productivity. However, this cannot be said for all our clients, who had various consequences from the pandemic and held back their work orders to wait and see how the Pandemic will be affecting their business and related priorities to deal with the crises.

Throughout the COVID-19 global pandemic, RS2, as a service provider, triggered its BCP to continue providing its services with no impact or interruption to business. The Group noted a decrease in momentum during the beginning of the COVID-19 pandemic, which momentum eventually started to return to its normal levels as from the second quarter of the year, resulting in a strong and healthy pipeline for the coming years. While this trend is expected to continue into 2021, the Group will deliver solid growth through new business being onboarded from the pipeline cross-region.

Business Performance in 2020

Despite the world economic downturn and the challenges brought about by COVID-19, the year 2020 has been a year where significant revenue contracts have been entered into by RS2 Group for its outsourcing business across regions in APAC, North America, Europe, and LATAM.

In 2020 the Group has notably increased the volume of transactions processed on its platform from its current customers and newly onboarded ones. The Group executed strategic milestones to increase its customer base and diversify its global business in line with its strategy across various regions and subsidiaries.

In LATAM, the Group continued to expand its customer base and has rolled out its omnichannel acquiring services to new clients in Brazil, where, in 2021 the Group expects to process just over two hundred million transactions. In Argentina, the Group has enabled its services to one of the already existing customers in the region to start its merchant acquiring; in Columbia, together with its Partner MOVii, the Group went live with e-commerce acquiring and will kick-off its POS acquiring in Q3 of 2021.

In North America, the Group has concluded major processing outsourcing agreements with various payment providers such as ISOs and PayFacs.
In addition to that, the Group has signed on one of the largest banks in the United States on a hybrid licensing and processing model, which shows the reputation and the capabilities of the Group from the technology and delivery perspective and is continuing to attract tier-one financial enterprises to partner with RS2 to deliver Global Acquiring and Issuing Services.

In APAC, the Group has added other major outsourcing clients across various countries, starting with Singapore. These clients will increase the Group's APAC customer base, adding to its current customers in New Zealand, the Philippines, Malaysia, and Vietnam. In Indonesia, the Group will be providing outsourcing services to a financial institution for issuing and acquiring that belongs to a major financial group in the region.

In Europe, the Group applied for its own EMI license that will be regulated by BaFin (the German Federal Financial Supervisory Authority) to execute the Merchant Solutions business line.

CEO'S STATEMENT
(CONTINUED)

Entering into a New Era – Merchant Solutions

In 2020, the Group entered into a new era – Direct Merchant Acquiring and Issuing Services - building a solid and competitive offering in the market. This new business line "Merchant Solutions" enables the Group to provide a wide array of services using one single platform that integrates through a strong wide range of APIs to the merchant's online businesses and physical shops, consolidating the entire business of the merchant across all the omni-and multi payment channels offering them one-stop-shop services including but not limited to:

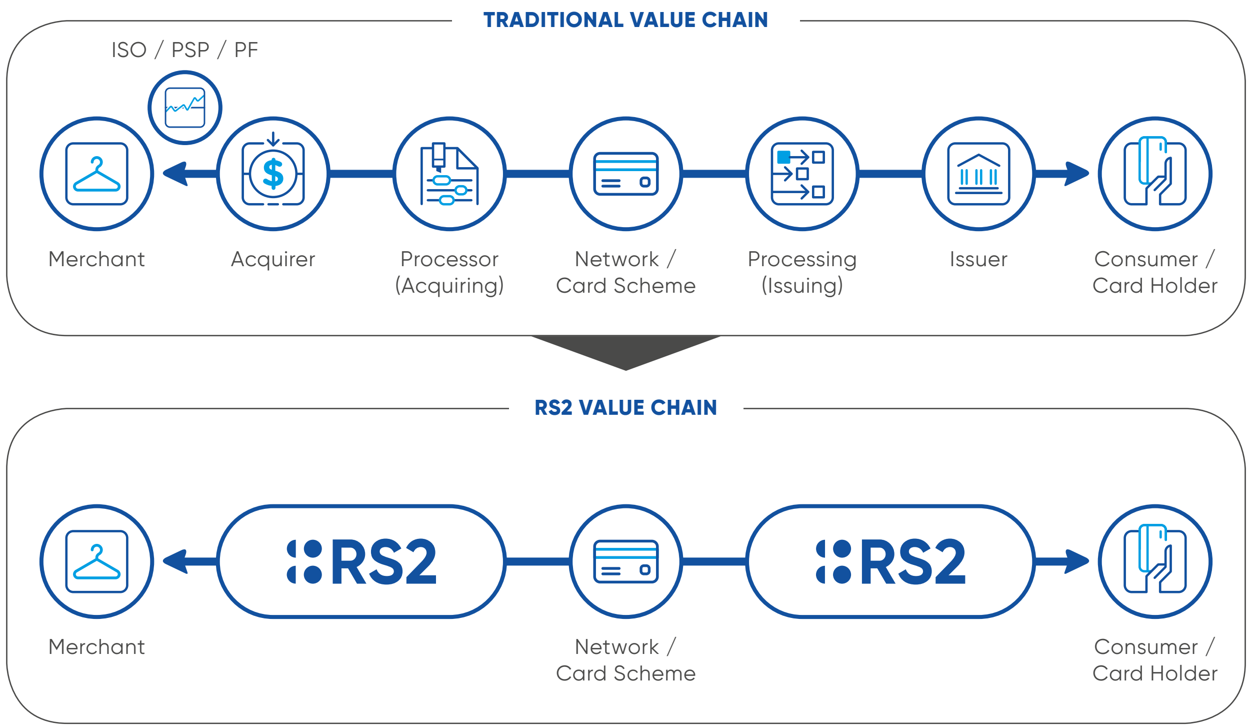
- E-Commerce (card not present including PSP services)
- Card present (including POS terminals and network services)
- InAPP-Payments
- Payment Gateway
- Chargeback Management
- Call Centre Services
- Issuing of pre-paid cards
- Fraud and Risk Monitoring Services
- Reporting and Reconciliation
- Interchange Optimisation
- Smart Routing increasing the approval rate
- Dynamic Currency Conversion
- Instalments
- Recurring Payments

This single integrated platform enables the merchants to offer their products and services globally, by providing them with a reliable, high-performance, and secure way of connecting all payment channels (being Visa, MasterCard, American Express or local debit schemes and more than 200 alternative payments methods) through one platform.

The below visual describes the evolution of RS2 within the payment value chain with the merchant business.

The Payment Value Chain

Six core stakeholders in the traditional chain – RS2 strategy is to consolidate the value chain



The RS2-way: Control the chain, take complexity out, lift synergies to build better solutions

In line with RS2's strategy adding Merchant Solutions as a third pillar to its business, during 2020 the Group acquired Kalicom Zahlungssysteme GmbH with more than 4,000 terminals and over 2,000 merchants. The acquisition was a starting point for the new business line enabling the Group to accelerate its market entry into the direct acquiring business with immediate capabilities of selling, installing and servicing merchants within Europe.

To conduct the Merchant Acquiring and Issuing Services the Group applied for its EMI license at the BaFin, the German Financial Supervisory Authority. The license is at an advanced stage of the approval process. To support the framework of the new acquiring business line, the Group continued to invest in human resources, platform and processes during the year. Several personnel have already been engaged for most of the key positions including Head of Finance, Head of Strategy and Business Development, Head of Sales, Head of Customer Service and Operations, Legal Counsel and Data Protection Officer, Head of Risk, Head of E-Commerce and Innovation.

In order to be successful in the execution of its strategy, RS2 will be focusing on two regions to start its own acquiring, primarily in Europe followed by the US, where it has a solid footprint and a strong local team to start the business.

Building and accelerating a "new normal"

The pandemic crises has contributed to the acceleration of digitalisation, the way businesses and meetings are being conducted, the deliverables and communication internally within the organisation and with external partners and customers motivating the Group to prioritise certain plans to meet these changes.

However, one thing is clear now: there will be no return to the norms before the crisis. The impact on the behaviour and expectations of the customers and businesses, indeed the entire economy, will be profound. A rebooting economy may need to deal with social distancing, increased sensitivity to security, and accrued risk awareness for quite some time. McKinsey expects in the most realistic scenario, that global payments, in most categories of payment transactions, are poised for sharp and rapid rebounds as lockdowns are lifted and behavioural shifts from cash to electronic payments are largely sustained. So, we will have a "new normal" for the payments ecosystem and also for the economy as a whole (more working from home instead of in offices, more e-commerce than POS shopping, more regional vacations than long distance travelling, more virtual meetings than business trips, more card based payments than use of cash etc.).

While the current COVID-19 environment in the short-term has been negatively impacting part of the payments market mainly in-store shopping, we expect that, in line with the forecasts being published by leading research institutes, the pandemic should accelerate the digital transformation into card and account to account payments. Payment systems have proved to be resilient and reliable, as they have been in earlier crises. Notwithstanding the fact that the importance of non-cash payments is growing rapidly, any projections on industry performance rest on assumptions surrounding overall economic activity. Even if COVID-19 will cause a drop in the short term, the pandemic will most likely accelerate the digital transformation and card payments. Since payments and commerce are fundamentally changing toward frictionless, real-time, data-driven, omni-channel and global, innovative and technology business models will drive the way of disruption in payments.

We are fortunate to mitigate the effects of this pandemic from a position of strength, cutting-edge payment technology, and substantial market opportunities. The fight against COVID-19 has shown that countries and nations partner together to fight the good fight, and this will, in the same way, apply to our business, whereby customers will not be focusing on their local markets but the cross border markets and opportunities, where RS2 will play a tremendous role using its platform, technology, and its global presence.

The Group remains focused on implementing and delivering its strategy around its main business pillars namely, growing and expanding its Managed Services business and accelerating its expansion globally, starting its Direct Merchant Acquiring and Issuing Services in Europe and the US, while maintaining a selective approach for the Licensing business.

For each business line, the Group has a strategy to accelerate growth. On the Licensing side, the Group is focusing on marketing and selling its hybrid model to large enterprises by providing a private cloud and a license in combination with Managed Services, where the Group will have various revenue drivers including the build and maintenance of the platform based on the transactions and services provided and charges based on the number of transactions, authorisation, chargeback services, etc.

On the Managed Services, the Group continues to increase the services to its current customers and to support their expansion plans globally, while attracting the newcomers and fastest growing markets in the payment business such as ISOs and Payfacs by providing them with Acquiring and Issuing Services locally and enabling them to expand globally.

For the new Merchant Services business managed by RS2 Financial Services in Europe, the Group, supported by the acquired Kalicom (recently integrated and renamed to RS2 Zahlungssysteme GmbH), will accelerate the entry to the German market and continue to sell its services to new merchants throughout Europe by passporting the license to all EU countries. With the infrastructure of the Group's Managed Services in conjunction of the highly talented team in RS2 Financial Services, the Group is ready to start the new business once the license is granted.

The new Merchant business line will contribute substantially to the Group. To ensure the success of its new business line, the Group will be focusing on two regions to start its own acquiring, primarily Europe followed by the US, where it has a solid footprint and a strong local team to start the business.

In North America, the Group will continue to offer Processing Services to banks, financial institutions, PSPs, ISOs, ISVs and PayFacs and Direct Acquiring Services to merchants. The Group is expecting a significant increase in processing volumes and revenues.

CEO'S STATEMENT
(CONTINUED)

In LATAM, the Group's strategy for the next years will be to continue increasing services to its current customers and enable them to enter new markets in the region, while onboarding new clients on its Managed Services business. The Group will further offer, together with its partner MOVii, consumers and merchants in Colombia, Direct Acquiring and Issuing Services where exponential growth is expected; where MOVii has already built up a strong base of 60,000 POS terminals offering different services, including bill payments, transportation tickets, digital streaming, and money transfers.

In the APAC region, the Group will mainly focus on Processing Services for Issuing and Acquiring to financial institutions of any size and on offering term licenses for issuing and acquiring to large international banks. The Group will also be establishing sponsor relationships with its customers currently in the Philippines, Vietnam, Malaysia, Australia, and New Zealand in order to be able to service multinational corporates in the APAC region. The Group's subsidiary in the Philippines will be managing the sales and marketing activities, as well as the first line of support. At the same time, the subsidiary will also be providing cross services to the Group such as call centre activities and chargeback processing.

Preference shares Initial Public Offering (IPO)

The Group has developed a clear strategy for its accelerated growth backing on the Group, cutting-edge payment technology, and the current market opportunities.

The Group aims to strengthen its position in the market as one of the leaders in the global acquiring business and as an alternative to legacy payment processors and filling the void created by mega-mergers. In order to reach the goals, the Company has increased its Authorised Share Capital and in addition, created a new class of Preference Shares by way of an extraordinary resolution of the shareholders during an EGM held on 15 December 2020.

The increase of the authorised share capital would provide the Company with the capacity and flexibility needed to further increase its issued share capital in the near future to react in a timely manner to opportunities and to be able to bring on board strategic investors which will enhance shareholder value, if and as needed. Taken as a whole, the increase in the ordinary share capital and the creation of the new preference shares is being done in order to enable the planned growth, including, any necessary enhancement of the Group's BankWORKS® platform, further investment in North America and in the new acquiring business line, expanding the sales force to the various lines of businesses and selected M&A activities.

Subsequent to year end, the IPO was concluded successfully. A total number of 8,989,600 shares were subscribed for at the offer price of €1.75 per share. Such shares will carry a nominal value of €0.06 per share. The total proceeds generated through the IPO amounted to €15,731,800. The funds raised will enable the Company and the Group to effectively implement its strategy and continue on its growth path.

Looking Forward

The Group will continue building on the success of its executed strategy to expand its outsourcing business through its subsidiary RS2 Smart Processing Limited by offering more services and expanding together with its existing customers enabling them to enter into new markets consolidating their global business while starting to offer direct services to the merchant mainly in Europe and follow them into international market utilising the global capability of the platform for Issuing and Acquiring.

To further enable our rapid expansion and growth, the Group continues to nurture its hub of internationally renowned C-Level Executives and industry specialists. Our vast network with banks and partners around the globe will aid the implementation of the Group's third business model and will facilitate the roll-out in Europe. The aim is to eventually leverage the Group's network to offer a truly global Issuing and Acquiring services and products to our customers allowing them to control their business and accessing their data in real-time to mitigate their risk, anticipate their revenue and expenses, and manage their cashflow.

We will continue focusing on the regional expansion and provide the respective products and services in the different markets.

The Group is committed to investing further in North America to enable the US subsidiary to continue with its successful market entry and delivering services to PayFacs, ISVs, and ISOs while continuing to attract large enterprises to process their local and international businesses.

The Group will invest in its products and services, management, and staff to meet the great demand we have today in the US and offer our customers a one-stop-shop for their local businesses and accompany them to expand their businesses globally.

To stay ahead of the competition we will continue to invest in our platform digitalising the entire customer's journey enabling consumers and businesses in one single ecosystem to improve their shopping experience increasing their visibility and loyalties.

Closing Remarks

I would like to take this opportunity to thank our great colleagues, whom, without their dedication and loyalty, we will not be successful, and our management and board for supporting us throughout our journey and the support of our esteemed shareholders in believing in us and will be doing our best to have the best reward that they deserve.

Stay with us and share our success to continue our global journey.

Stay Safe.

Let's be together - beyond payments.

Thank you for your continued support and dedication.

Radi Abd El Haj
Chief Executive Officer

29 April 2021

Board of Directors

Mario Schembri Chairman & Non-Executive Director
Mr Schembri joined RS2 in 1999 as Regional Manager, Mediterranean Region and took on the role of Deputy Chief Executive Officer in 2006. Mr Schembri was appointed Chief Executive Officer in January 2008 and Chairman in January 2012.

Mr Schembri has extensive knowledge related to card management systems, with diverse exposure to the international card organisations including VISA International, MasterCard and DINERS Club International. Up to the time of joining the Company, Mr Schembri had been in the banking industry for 26 years and has vast experience relating to retail banking operations, product management and co-ordination. He also served as a lecturer and examiner for the IFS for a period of 12 years.

Radi Abd El Haj CEO & Executive Director
Mr El Haj joined RS2 in 1997 as a Project Manager for Tier 1 European banks where he was responsible for the implementation of corporate card programs, later promoted to Customer Relationship Manager in 2002 and Head of Sales and Implementation in 2004. Mr El Haj was appointed Chief Executive Officer in January 2012.

In the cards and payments industry, Mr El Haj specialises in the areas of issuing, acquiring, clearing and settlement, e-commerce and accounting. His international experience, professional contacts in various regions and working closely with the Technical and Product Development Units within the Group, has contributed in providing RS2's clients with a global compliant platform.

Dr Robert Tufigno LL.D. Non-Executive Director
Dr Tufigno, LL.D., has vast experience in company law, contract law, financial services, employment law, maritime law and legislative drafting. Dr Tufigno, who is also an Arbitrator, has practised in the fields of general commercial law, property law and litigation. He has also acted as Chairman of Malta's Employment and Training Corporation and as Chairman of Malta's Housing Authority, and as past Board Director of Lohombus Bank. Dr Tufigno is a Partner of GTG Advocates.

Franco Azzopardi Non-Executive Director
Mr Azzopardi, a Certified Public Accountant with a UK postgraduate MSc in Finance, spent twenty seven years working in public practice, ten of which with Deloitte Haskins and Sells and later in a firm he co-founded in 1990. In 2007 he exited the firm to contribute more towards the strategic direction of boards of directors. He specialises in corporate strategy, governance, risk and finance. He is today a professional director and a registered fellow member of the UK Institute of Directors. He serves on Boards of Directors, Audit, and Risk Committees of both listed and private companies in various sectors including banking, insurance, software and logistics. He is also CEO of the leading logistics company in Malta. His focus there is sustainable growth in shareholder value, highest degree of readiness for public listing, and investor-family governance. As part of his social responsibility he also contributes towards the development of the Malta Institute of Accountants. He is a fellow member serving on Council since 2007. He was also elected and served as President of the Institute for the term 2015-2017.

John Elkins Non-Executive Director
Mr Elkins served as President, International Regions at First Data (a global leader in electronic payments with operations in 35 countries) until June 2015. Mr Elkins had full responsibility for over 8,000 employees and all markets outside of the United States. Mr Elkins served as a Senior Adviser at McKinsey & Company (2007-2009). Between 2002 and 2007 he served as Executive Vice-President and Global Chief Marketing Officer for Visa International. Mr Elkins was the founder, former Chairman and CEO of FutureBrand, built from a start-up into one of the leading worldwide corporate brand and design consultancies.

Prof. Dr. Raša Karapandža Non-Executive Director
Prof. Karapandža is a Professor of Finance and serves as Vice Dean Education at EBS University, Germany. He also serves as an academic director of the Masters in Finance programme and head of chair of finance. He received a PhD degree in economics and finance from Barcelona Graduate School of Economics, University Pompeu Fabra, Barcelona. He has been a visiting research scholar at New York University and at University of California at Berkeley. He currently also serves as a visiting professor at New York University (NYU). Prof. Karapandža's work has been featured in top media outlets like The Wall Street Journal, The New York Times, and Der Spiegel. He advised members of the US congress on the topics of regulating cryptocurrencies and other block chain related technologies. He was elected favourite professor by the EBS business school's student body for his teaching ten years in a row – in 2009 through 2020. At EBS University Prof. Karapandža teaches Investments, Finance, Corporate Finance, Asset Pricing and Fintech class. At NYU Prof. Karapandža teaches a Fintech course as well as NYU Stern courses on Foundation of Financial Markets and Advanced Investments.

David Price Non-Executive Director
Mr Price is the Managing Director of Client Coverage in Barclaycard Commercial Payments, a proven leader within the payments industry, with 15 years' experience of working within the Barclays Group. Mr Price is currently responsible for the Corporate Business within Commercial Payments as well as building propositions across the whole Barclays Corporate network. Prior to working in commercial payments, Mr Price spent 12 years in Payment Acceptance at Barclaycard, where he developed specialisations across new product deployment, multinational client acquisition and relationship management. His extensive payments experience and dedicated client focus gives Mr Price an extremely interesting perspective on payment trends, regulation and most importantly what this means to Barclaycard's customers and clients.

Dr Ivan Gatt LL.D. Company Secretary
Dr Gatt LL.D. represents clients in a broad spectrum of substantive legal areas. Having vast experience in advising companies and board committees on corporate governance, he has facilitated a variety of transactions, including securities offerings, venture capital investments and corporate acquisitions. In addition, he assists clients with annual general meeting preparation and gives advice on numerous regulatory and compliance matters.
Dr Gatt has presided over the Levy Appeals Board and the Customs and Excise Tax Appeals Board of the Ministry of Finance. Dr Gatt is a Partner at GTG Advocates.

Corporate Social Responsibility

In the reporting year, RS2 has supported various organisations in Malta and Gozo:

MCAST	Dar tal-Providenza	Dar Merħba Bik
Kavallieri Handball Club	Puttinu Cares	Women for Domestic Violence
Naxxar Victorians	L-Istrina	

Our Values

Respect
Listen to Understand

Respect is all about the way we treat the people around us. We promote effective communication through active listening, feedback, and continuous honest communication while we listen to understand.

Empower
Drive Our Journey

We give every member skills, resources, autonomy, and every opportunity to build ownership by becoming responsible and accountable for actions. We empower people to take the decisions that render the best product and service for the customer.

Learn
Grow and Stay Humble

We learn, mentor, network, and share knowledge for everyone's growth and success. We remain curious and strive for excellence.

Collaborate
Play as One Team

We focus on delivering value and support each other to work smarter and achieve a common goal. We communicate clearly by being transparent and by keeping things simple.

Innovate
Simplify Complexity

Business defines us and innovation drives us. We improve continuously in order to push boundaries and make the difference.

The COVID-19 pandemic affected every aspect of our lives. Our top priority during this worldwide crisis has been the health and safety of our team members, customers, partners and the communities in which we live. The crisis has reaffirmed the importance of working together in solidarity to face these challenges.

RS2 Software p.l.c.'s Corporate Social Responsibility (CSR) strategy is aligned with the Company culture and values embedded in its ethical principles. At RS2 Group, we consider CSR to be an integral part of our entrepreneurial approach and aim to be an active and positive contributor to the communities within which we are based as well as to the stakeholders.

RS2 considers CSR to be an integral part of our entrepreneurial approach and aims to be an active and positive contributor to the communities within which we are based and to the stakeholders.

RS2's social responsibility activities are primarily focused on strengthening global communities, supporting education, philanthropic organisations, sports clubs, and improving the environment. RS2 believes that education is the fundamental key to shaping a better future in terms of better lives of individuals, greater equality within society and a more sustainable environment. RS2 promotes various initiatives to give numerous young people the relevant exposure and the right training required to become future contributors to the Fintech industry.

For the past years, RS2 has made it a point to partake wholeheartedly in events and programs that promote job exposure opportunities to students. One such event is MITA's Student Placement Program. The partnership with the said agency has given rise to scores of students gaining hands-on work experience within diverse departments at RS2. In order to unlock potential, students are mentored by senior executives and given the opportunity to delve and participate in projects which in turn hone their technical skills. RS2 provides students the possibility to work during both the summer holidays and the scholastic year. Upon completion of studies, many students have been offered full-time employment with the Group. It is also worth mentioning that RS2 has regularly collaborated with MCAST, and acted as the main sponsor for select events, to provide their students with experience in a technology company. RS2 firmly believes that this program provides value to the local community while creating a gateway to RS2 to gain prospective new employees with new talents.

RS2 supports various philanthropic organisations as well as numerous sports and art programs. Some of these organisations have continued to receive our ongoing support for a number of years and have grown to consider RS2 as a loyal partner and contributor. Furthermore, RS2 works with organisations involved in alleviating local social issues, using a fund with volunteer donations from employees to donate to charitable institutions.

All of RS2's CSR activities were organised by the RS2 Events Committee which comprises of employees from different departments who volunteer their personal time in the effort to create a variety of activities including fundraising. These events help to promote a strong and healthy team relationship, which proves to be highly beneficial given the extensive growth the Group has experienced in the past couple of years.

RS2 is confident that it will continue to achieve a balanced and holistic value for its shareholders and will strive continuously to promote sound CSR initiatives. At the same time, RS2 will continue to positively affirm its efforts to become a sustainable Group and a market leader within the Fintech industry.

Directors' Report

For the year ended 31 December 2020

The Directors present their report, together with the financial statements of RS2 Software p.l.c. (the "Company") and its subsidiaries, RS2 Smart Processing Limited, RS2 Software INC., RS2 Software LAC LTDA, RS2 Software APAC Inc., RS2 Germany GmbH and RS2 Merchant Services Europe GmbH, together with its subsidiaries RS2 Financial Services GmbH and RS2 Zahlungssysteme GmbH (previously Kalicom Zahlungssysteme KG) (collectively referred to as the "Group"), for the year ended 31 December 2020.

Board of Directors

Mr Mario Schembri (Chairman)
Mr Radi Abd El Haj (CEO)
Dr Robert Tufigno
Mr Franco Azzopardi
Mr John Elkins
Prof. Raša Karapandža
Mr David Price

Principal activities

The Group and the Company are principally engaged in the development, installation, implementation and marketing of computer software for financial institutions under the trade mark of BankWORKS®. Through its subsidiaries, the Group acts as service provider with the use of BankWORKS® (Processing Solutions) and has recently established its own 'Acquiring' business line by making use of a financial institution license to be obtained through BaFin, the German regulator (Merchant Solutions).

During an Extraordinary General Meeting held on 15 December 2020 the Company enhanced its activities to include acquisition and holding of shares and like instruments, in entities whose activities are complimentary to the business of the Company, including entities that are payment, financial or credit institutions, and provider of services to such institutions as well as merchants.

Business review and future developments

In line with its strategy, the Group continued its implementation of establishing new footholds in Germany. In December 2019, RS2 Group acquired Kalicom Zahlungssysteme GmbH with the purpose of purchasing Kalicom Liebers Zahlungssysteme KG. The acquired entity is one of the most successful commercial network operators for electronic, card-based payment systems with more than four thousand payment terminals, located in Reinsdorf, Germany. It serves SMEs across Germany with products including POS terminals, girocard/direct debit processing, routing of credit card transactions and referral of acquiring services. This will therefore open up more doors for the Group by delving into a new revenue stream. On 1 January 2020, Kalicom Zahlungssysteme GmbH purchased 100% of Kalicom Zahlungssysteme KG, categorised as a share deal. Kalicom Zahlungssysteme GmbH was later renamed to RS2 Zahlungssysteme GmbH and is a 100% subsidiary of RS2 Merchant Services Europe GmbH, which is a 100% subsidiary of RS2 Software p.l.c..

The Group also applied for its own EMI license that will be regulated by BaFin (the Federal Financial Supervisory Authority in German) to manage merchant funding, provide acquiring services and to issue payment instruments. The license will result in a substantial change in the revenue model for the Group from dependence on one-time license fees to ongoing and recurring revenue based on the number and value of transactions processed.

During the year under review, the Company registered revenues from its principal activities of €23.8m (2019: €18.7m) and a profit before tax of €5.8m (2019: €2.5m). The Managed Services arm of the Group, RS2 Smart Processing Limited which is principally engaged in the processing of payment transactions with the use of BankWORKS®, recorded revenues of €4.0m (2019: €4.9m) and a loss before tax of €0.2m (2019: profit before tax of €0.3m). RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. RS2 Software INC. serves as the US arm of the Group with specific focus on the provision of Managed Services in North America. The RS2 German subsidiaries focus mainly on direct merchant acquiring and issuing services using one platform that integrates through API to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels.

During the year under review, on consolidating all of its activities, the Group generated revenues of €26.8m (2019: €22.1m) and registered a loss before tax of €3.9m (2019: €2.1m). At 31 December 2020, the Group's total assets amounted to €38.1m (2019: €31.8m), whereas its current liabilities exceeded its current assets by €9.1m (2019: €1.0m). Notwithstanding this, the Board of Directors is confident that the Group can continue to operate as a going concern for the next 12 months from date of approval of the financial statements as set out on in the Going Concern section below.

DIRECTORS' REPORT (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

A comprehensive review of the business and performance of the Group during the year under review, and an indication of future developments are given in the CEO's Statement set out on pages 16 to 25 of this Annual Report.

COVID-19 and the implications on Going Concern

COVID-19

The payment industry's stability will play an invaluable role in rebooting the global economy once the COVID-19 pandemic subsides, and the potential for payments in the mid- to long-term is seen to be very positive.

Payment systems have proven to be resilient and reliable, as they have been in earlier crises. Payment systems and providers continue to enjoy a high-level trust from the general public. The importance of cashless payments is growing rapidly but any projection of industry performance rests on assumptions about overall economic activity. The outlook largely depends on the spread of the virus, the public-health response and the effectiveness of the fiscal, monetary and broader public responses. Some payment methods are also likely to suffer more than others.

One may note that the use of cash is quickly declining. Card payments and especially contactless payments, on the other hand, are rising rapidly at a consistent rate. Triggered by governments, retailers and consumers, COVID-19 can be an accelerator for card payments globally. The development to a cashless society which should in actual fact, take several years or decades, is now being condensed into a much shorter time frame, as a result of the COVID-19 pandemic.

The Group reacted quickly and seamlessly at the outbreak of the pandemic and all business lines were switched to working remotely. The Group's diversified business profile and the stable contracted revenues helped mitigate the impact the pandemic has had on the Group's performance. The Licensing business is a stable business with a large part of revenues being contracted revenues. The Processing business generated more revenue when compared to the previous year despite implications brought about by the COVID-19 pandemic, such as the strategic arrangements in place within the travel industry. The business (RS2 Software INC LLC, "INC") in the United States of America ("USA"), is significantly contributing to the revenue growth of the Group, albeit slower than originally anticipated.

Going Concern

A going concern assessment has been prepared by the Group covering 2021 to 2023, adjusting for known impacts to the forecasted budgets related to COVID-19. Expected revenues from tourism-based clients have been adjusted in our forecasts and slow-downs in implementation experienced by certain affected existing clients.

The Board of Directors is confident that the Group can, not only continue to operate as a going concern for 12 months from the date of approval of these financial statements, but will continue to see substantial growth over the coming years.

Principal Risks and Uncertainties

In its operations, the Group has exposure to credit risk, liquidity risk and market risk. The Group's objectives, policies and processes target to mitigate the effect of such risk by constantly measuring and managing such risk, whilst proactively managing its capital. A more comprehensive outlook of such risk exposure and the Group's response can be viewed in Note 6 to these financial statements.

Non-financial risks

i. **Market forces and competition**
The market in which the Group operates is characterised by rapidly evolving technology and industry standards, as well as new competitors such as FinTechs and Big Techs entering the market, driving change and market disruption, bringing new business models to the market. RS2 must be able to compete with such companies and meet the need for innovation in its industry. In this regard, over the past years the Group continued to enhance its platform by adding new tools that streamline the operation of its clients and differentiate it from competition in order to onboard more businesses from various industries on its platform globally. In the last years, the Group invested significantly in its proprietary BankWORKS®. This investment represents development work carried out internally by the Group on enhancement of BankWORKS® and its functionality.

ii. **Dependence on key clients**
RS2 generally benefits from a highly diversified global client base, including Banks, PayFacs, PSPs, ISVs, acquirers and issuers. However, since some of its clients are large and global corporates with a high aggregated payment and processing volume, these key clients stand for a large proportion of the Group's revenue. Although management believes that its relationships with these key clients are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships on commercially attractive terms, depends on a range of commercial and operational factors and events, any of which may be beyond RS2's control. To broaden its client base, markets and opportunities, the Group is investing significantly in its US subsidiary, namely its processing platform that will be the foundation of the processing solution in the United States as well as in the operations to ramp up. Furthermore, the Group injected equity and capital reserves to setup its third business line being Merchant Services, including its application of the EMI license. In line with the Group's strategic shift towards Merchant Solutions, the Group acquired Kalicom Zahlungssysteme GmbH. This acquisition will provide RS2 with a quick start into the direct acquiring business with immediate capabilities of selling, installing and servicing terminals and processing card transactions in the German market for small and mid-size accounts.

iii. **Software risk**
It is an inherent risk of this industry that software applications could contain undetected errors which could lead to the software not operating as intended. Any failure of the Group's current or future platforms, software and technology infrastructure, including the Cloud-Solution, could materially adversely affect its business, results of operations, financial condition or prospects.

In this regard, RS2 has developed and continues to develop its own bespoke processing platform BankWORKS®, software and technology infrastructure and operates and maintains the processing-platform, which are critical to RS2's operations, customer service and reputation.

iv. Cyber security risk
Similar to business and technology, cyber threat evolves and is always present. The most common cyber security threats result in risks associated with either data breach or service provision disruptions. The nature of RS2's business and of its customers and partners, who use the processing services involve systems and environments that possess large amounts of sensitive data. RS2 cloud services and data centres as well as its operations, store and transmit sensitive information related to cardholders, merchants and financial institutions including names, addresses and accounts amongst other information that could be vulnerable to computer viruses, physical and cyber-criminal attacks and web fraudsters that could lead to destruction or theft of transaction data and/or personal data. This could lead to financial losses or delays in providing the services to the customers.

To mitigate such risk, the Group will continue expanding its security resources and tools to fight and protect its systems and facilities in order to cover any attack or eventualities using its disaster recovery system and procedures that has been built in various locations to fit this purpose. In this regard, vulnerability scanning, awareness training, ongoing investments in security operations, incident security planning, supply chain monitoring, information security policies, insurance and compliance with regulatory requirements through annual audits are carried out.

v. Risk to intellectual property and proprietary rights
The Group regards its intellectual property as critical to its success. It relies and will rely on a combination of trade secret, copyright, trademark and non-disclosure laws, domain name, registrations and other contractual agreements and technical measures to protect its intellectual proprietary rights ("IPR"). To mitigate this risk, RS2 generally seeks to enter into confidentiality or license agreements with its employees, consultants and clients. The Directors consider that, currently, RS2 has appropriate systems and procedures to control access to and distribution of its intellectual property documentation and other proprietary information and are continually on the lookout for new tools to protect its IPR in the future.

DIRECTORS' REPORT (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

Dividends

No dividends are being recommended for the year ending 31 December 2020 (2019: NIL).

Reserves

Retained earnings amounting to €19.2m (2019: €15.5m) for the Company and €1.8m (2019: €5.6m) for the Group are being carried forward.

Key Figures

	2020	2019	2018	2017	2016
	€	€	€	€	€
Revenues (Eur 000s)	26,813	22,100	25,008*	17,380	17,171
EBITDA (Eur 000s)	(1,404)	(199)	7,851	2,902	2,129
EBITDA margin (%)	-5.24%	-0.90%	31.39%	16.69%	12.40%
Profit/(loss) before tax (Eur 000s)	(3,889)	(2,115)	6,565	1,226	881
Earnings per share (Euro)	-€0.020	-€0.008	€0.025	€0.005	€0.004
Equity to asset ratio (%)	18.56%	44.28%	61.51%	69.91%	73.85%
Debt/equity ratio multiple	4.39	1.26	0.63	0.43	0.26

* Includes the release of deferred income as at 1 January 2018, amounting to €5.6m, as a result of the adoption of IFRS 15.

Subsequent Events

Preference Shares IPO

Subsequent to year end, the Company offered to the public, preference shares for which the offer period closed on 16 April 2021. The IPO was concluded successfully, with a total number of 8,989,600 shares subscribed for at the offer price of €1.75 per share. Such shares will carry a nominal value of €0.06 per share. The total proceeds generated through the IPO amounted to €15,731,800. The funds raised will enable the Company and the Group to effectively implement its strategy and continue on its growth path.

Sale of Other Investment

In 2020, management was informed that investment holders in a company incorporated in the US and which is engaged in the provision of end-to-end electronic payment platforms, were given an option to sell part of all of their investment. In view that the valuation price was reasonable, management expressed its interest in disposing off such investment, which disposal is expected to be concluded in financial year ending 31 December 2021.

Buy-back of shares of an executive employee of RS2 Software INC. following termination of employment

In terms of an agreement entered into in February 2018, an executive (referred to as 'key management personnel' in Note 27) of RS2 Software INC. was granted 12,500 new shares in the subsidiary, with certain vesting conditions and restrictions. This executive's employment with RS2 Software INC. was terminated in December 2020. As a result, a management's expert has been engaged in order to assist in the valuation of the minority stake in RS2 Software INC. (refer to Note 29.3). The valuation of the minority stake held by this executive in RS2 Software INC. is still pending final approval by the Board of the subsidiary, and cash payment shall take place once agreement is sought by both parties.

Provision for a legal obligation

During the first quarter of 2021, an out of court settlement agreement took place in respect of a legal obligation by RS2 Software INC. towards a former employee. The aforementioned employee was terminated back in October 2019, served a wage demand in March 2020 and filed a Charge of Discrimination in June 2020. In December 2020 the US Equal Employment Opportunity Commission closed the charge. The parties signed a settlement agreement in March 2021, resulting in an increase in provision of $40,000 (€32,597), totalling to $100,000 (€81,493) appropriately accounted for as at 31 December 2020.

Impact of COVID-19 Pandemic

As disclosed in Note 2.1.2, the COVID-19 pandemic has, to date, not had any significant impact on Group and Company operations. Management do not foresee any further repercussions resulting from the pandemic, however, if it were to be the case that industries, such as the travel industry, do not recover as quickly as expected by the global market, then this might impact our forecasted revenue projections. These may need to be revisited in light of possible events which may continue to develop as a result of the global pandemic. Management do not envisage there to be any other negative impacts to the Group's operations in the years to come, specifically due to the pandemic.

DIRECTORS' REPORT
(CONTINUED)
FOR THE YEAR ENDED
31 DECEMBER 2020

Pursuant to Listing Rule 5.62

Upon due consideration of the Company's profitability, balance sheet, capital adequacy and solvency, the directors are satisfied that at the time of approving the financial statements, the Company has adequate resources to continue operating as a going concern for the foreseeable future.

Pursuant to Listing Rule 5.64

Rule 5.64.1 - Share capital structure

The Company's authorised ordinary share capital is of €14,400,000, divided into 240,000,000 ordinary shares, at €0.06 each. The Company's issued share capital is of €11,578,114.14 divided into 192,968,569 ordinary shares of €0.06 each, each ordinary share being fully paid up. All of the issued shares of the Company form part of one class of Ordinary Shares in the Company, which shares are listed on the Malta Stock Exchange. All of the Shares have the same rights and entitlement and rank *pari passu* between themselves.

The following are highlights attached to the Ordinary Shares:

Dividends:
The shares carry equal rights to participate in any distribution of dividends declared by the Company;

Voting rights:
Each share shall be entitled to two votes (2) at the meetings of the shareholders;

Pre-emption rights:
Subject to the limitations contained in the Memorandum and Articles of Association, shareholders are entitled to be offered any new shares to be issued by the Company, in proportion to their current shareholding, before such shares are offered to the public or to any person not being a shareholder;

Capital distributions:
The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise;

Transferability:
The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange applicable from time to time;

Other:
The shares are not redeemable.

The Company's authorised preference share capital is of €3,600,000 divided into 60,000,000 preference shares, at €0.06 each. At 31 December 2020, the Company had no issued preference shares.

The following are highlights attached to the Preference Shares:

Dividends:
When a dividend is declared payable in respect of any financial period, the holders of Preference Shares shall be entitled to a dividend at a premium ("Premium Dividend") over the dividend distributed and payable to the holders of Ordinary Shares. Such Premium dividend shall be determined by the Board of Directors at the time of issue of the said Preference Shares, but such Premium Dividend shall not be less than ten per cent (10%).

Bonus Shares:
The holders of Preference Shares shall qualify in the same manner as the holders of Ordinary Shares to be entitled to any bonus shares issued by the Company.

Voting rights:
The holder shall not be entitled to vote at the meetings of the shareholders except for the purpose of:

1) reducing the capital of the Company; or
2) winding up of the Company; or
3) where the proposition to be submitted directly affects their rights and privileges; or
4) when the dividend on their shares is in arrears by more than six (6) months.

In such case where the holder of Preference Shares shall have the right to vote, such shareholder shall have one (1) vote in respect of each Preference Share held by him.

Pre-emption rights:
The holders of Preference Shares shall not have any rights of pre-emption in respect of allotment of Preference shares to officers and employees of the Company and, or its subsidiaries;

Capital distributions:
The holders of Preference Shares shall not be entitled to participate in the assets of the Company except by way of distribution of assets to its members on its winding up and this in the same manner as holders of Ordinary Shares. In any such case the holders of Preference Shares shall not enjoy any preference over the holders of the other shares;

Transferability:
The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange applicable from time to time;

Other:
The shares are non-cumulative and are not redeemable.

DIRECTORS' REPORT (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

Rule 5.64.3 - Holding in excess of 5% of the share capital

On the basis of the information available to the Company as at 31 December 2020, Information Technology Management Holding Limited ("ITM") and Barclays Bank Plc ("Barclays") hold 85,837,812 and 31,303,819 shares respectively, equivalent to 50.04% and 18.25% of the Company's total issued share capital. In his capacity as ultimate shareholder of ITM, Radi Abd El Haj indirectly holds 50.04% of the issued share capital of the Company. As far as the Company is aware, no other person holds an indirect shareholding in excess of 5% of its total issued share capital.

Rule 5.64.5 – Employee share option scheme

The Company's share option scheme is administered by the Board of Directors. The decision of the Board on all disputes concerning share options is final.

Rule 5.64.7 – Restrictions on transfer of securities

By virtue of an agreement entered between ITM and Barclays, ITM undertook that, for so long as it holds more than 10% of the issued share capital of the Company, upon receiving any offer from third parties to acquire securities it holds in the Company, it is required to offer any such shares that it is desirous to transfer to Barclays.

Rule 5.64.8 - Appointment and replacement of directors

The Memorandum and Articles of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides that a member holding not less than 0.5% of the issued share capital of the Company having voting rights or a number of members who in the aggregate hold not less than 0.5% of the issued share capital of the Company having voting rights shall be entitled to nominate fit and proper persons for appointment as directors of the Company. In addition, the directors themselves or a committee appointed for the purpose by the directors may make recommendations and nominations to the shareholders for the appointment of directors at the next Annual General Meeting.

Furthermore, in accordance with the provisions of Article 55.1(d) of the Articles of Association, the Board of Directors, may, at any time, appoint a director if it believes that the appointment would be beneficial to the Company due to the skill, expertise and knowledge of such person.

Article 55.3 of the Articles of Association of the Company also provides that in the event that the Board is of the opinion that none of the Directors appointed or elected in accordance with the provisions of these Articles is a non-executive independent Director competent in accounting and/or auditing as required by the Listing Rules relating to the composition of the Audit Committee, the Board shall, during the first Board meeting after the Annual General Meeting appoint a person who is independent and competent in accounting and/or auditing as a non-executive Director and shall appoint such person to the Audit Committee.

Unless they resign or are removed, directors shall hold office for a period of one year. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

Any director may be removed at any time by the Company in a general meeting, provided that the director who is to be removed shall be given the opportunity of making representations. A resolution for the appointment and/or removal of a director shall be considered to be adopted if it received the assent of more than fifty percent of the members present and voting at the general meeting.

Rule 5.64.8 - Amendments to the Memorandum and Articles of Association

Amendments to the Memorandum and Articles of Association of the Company are regulated by the Companies Act, 1995 (Chapter 386, Laws of Malta). Subject to the provisions of Article 79 of the Act, and the Approval of the Listing Authority, the Company may by extraordinary resolution alter or add to its Memorandum and Articles of Association.

Rule 5.64.9 - Powers of the Board members

The directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts and sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meeting.

By virtue of extraordinary resolution of the shareholders dated 15 December 2020, the Board of directors is authorised to issue any share capital of the Company which is unissued, which authority is valid for a maximum period of five (5) years, renewable for further periods of five (5) years each. As at 31 December 2020, the Company had forty seven million thirty one thousand four hundred thirty one (47,031,431) Ordinary Shares in and sixty million (60,000,000) Preference shares unissued share capital.

Rule 5.64.11 – Agreements with employees

The Company and one of its subsidiaries, have agreements with employees holding senior management positions and directors providing for compensation upon termination based on either an agreed fixed amount or the then applicable annual salary. Such agreements include a non-competition clause, precluding such employees from competing with the Company and one of its subsidiaries, in the event that their employment is terminated. In order for these non-competition clauses to be enforceable, the Company and one of its subsidiaries, are bound to grant these individuals a sum based on an agreed fixed amount or the then applicable annual salary.

In 2017, the Company entered into an agreement with a newly recruited employee holding a senior management position whereby should the employee achieve a pre-set percentage over the agreed performance target linked to net profit over three consecutive calendar years commencing from date of employment, the Company, may at its absolute discretion, grant to the particular employee a one-time assignment of shares to the equivalence of a pre-agreed Euro amount. At the end of the three year period, the Board discussed the aforementioned employee's agreement and the

DIRECTORS' REPORT
(CONTINUED)
FOR THE YEAR ENDED
31 DECEMBER 2020

respective benefit that could be awarded. As the Group is fulfilling its growth strategy, and is still heavily investing in territories such as the US and Germany, this is resulting in a net loss rather than a net profit. Despite this, the obligation to this employee is still being honoured by awarding the individual 85% of the total agreed upon compensation.

In 2018, one of the newly formed Company's subsidiaries entered into an agreement with a new senior member of the management team, to the effect of allocating 12,500 new shares in the subsidiary, whereby the individual obtained all the rights of a shareholder, including the right to vote and to receive any dividends with respect to such shares, provided however that the individual may not sell, transfer, pledge or assign unvested Award shares. The Award shares shall vest in equal instalments over 36 months during which the employee must be in office. Should this newly formed subsidiary's operations and assets be either merged into another surviving entity or disposed of or dissolved, all unvested Award Shares will automatically accelerate and become fully vested. The arrangement also includes the right by the company to repurchase and the right by the executive to sell the vested Award shares at fair market value in the case of termination or resignation happening after the expiration of a fixed specified period. The aforementioned executive's employment with RS2 Software INC. was terminated in December 2020 and accordingly the right to sell the vested shares was triggered.

During 2019, one of Company's subsidiaries entered into a number of agreements with five employees, to the effect of allocating 5,626 share options in the subsidiary, with 75% vesting taking place over 36 months during which the employee must be in office and the remaining 25% vesting taking place over the next 12 months, during which the employee must be in office. On the tenth anniversary of the grant date or on the termination of employment, any award shares that have not vested shall automatically be forfeited. Upon termination, all shares issued upon exercise of the options shall be subject to a call option by the company to repurchase at fair market value. Three of the five individuals terminated their employment, while the remaining two individuals signed an amendment to the original agreement granting the share options to be effective from their respective employment start date. From the total allocated share options of 5,626 during 2019, 1,563 share options remain in effect as at 31 December 2020.

Other disclosures pursuant to Rule 5.64

No disclosures are being made pursuant to Rules 5.64.2, 5.64.4, 5.64.6, 5.64.10 as these are not applicable to the Company.

Approved by the Board of Directors on 29 April 2021 and signed on its behalf by:

Mario Schembri
Chairman

Radi Abd El Haj
Director

Corporate Governance Statement of Compliance

For the year ended 31 December 2020

Pursuant to the Malta Financial Services Authority Listing Rules 5.94 and 5.97, RS2 Software p.l.c. ("the Company") is hereby presenting a statement of compliance with the Code of Principles of Good Corporate Governance ("the Principles" or "the Code") for the year ended 31 December 2020, which details the extent to which the Principles have been adopted, as well as the effective measures taken by the Company to ensure compliance with these Principles.

Good corporate governance is the responsibility of the Board of Directors ("the Board"), which therefore adopts the Principles and endorses them accordingly. The Board believes that adoption of the Principles is evidence of the Company's commitment to a more transparent governance structure in the best interest of its shareholders and the market as a whole.

As demonstrated by the information set out on this statement, together with the information contained in the Remuneration Report, the Company believes that it has, save as indicated in the section entitled "Non-Compliance with the Code", throughout the accounting period under review, applied the Principles and complied with the provision of the Code. In the Non-Compliance Section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

Part 1: Compliance with the Code

Principle One: The Board

The Board is composed of one (1) executive director and six (6) non-executive directors.

All the Directors, individually and collectively, are of the appropriate calibre with the necessary skills, diversity of knowledge and experience to assist them in providing leadership, integrity and judgement in directing the Company.

The Board is entrusted with establishing the long-term strategy, objectives and policies of the Company and ensuring that these are pursued within the parameters of the relevant laws and regulations and best business practices.

Further detail in relation to the Committees and the responsibilities of the Board may be found in Principle four of this statement.

Principle Two: Chairman and Chief Executive

In line with the Principles, the roles of the Chairman and the Chief Executive Officer are kept separate. The Company adopts a structure of clear division of responsibilities between the running of the Board and the management of the Company's business.

The Chairman is responsible to lead and set the agenda of the Board. The Chairman ensures that the Board's members are all actively engaged in discussions and receive precise, timely and objective information so that the Directors can take judicious and rigorous decisions to be able to effectively monitor the performance of the Company. The Chairman is also responsible for communicating with shareholders. During 2020, the position of Chairman was occupied by Mr Mario Schembri.

The delegation of specific responsibilities to appropriate Committees, namely the Audit Committee and the Remuneration Committee is taken care of by the Board. On the other hand, the Chief Executive Officer takes care of the day-to-day running of the Company's business. During 2020, the position was occupied by Mr Radi Abd El Haj.

Principle Three: Composition of the Board

The number of directors shall be not less than three (3) and not more than eight (8) individuals. This range provides diversity of thought and experience without hindering effective discussion or diminishing individual accountability. Members of senior management also attend meetings, albeit without a vote, at the request of the Board, as and when necessary.

The Board is currently composed of one (1) executive director (Chief Executive Officer) and six (6) non-executive independent directors. In determining the independence or otherwise of its Directors, the Board has considered, amongst others, the Principles relating to independence contained in the Code, the Company's own practice as well as general good practice.

In accordance with Code Provision 3.2 of the Code, the Board has taken the view that the business relationship existing between the Company and two of its directors, Mr Mario Schembri and Dr Robert Tufigno, is not significant and thus does not undermine the said Directors' ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience, the Board feels that the Directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity.

The appointment of directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment may be made to fill a casual vacancy on the Board or to comply with the provision of the Listing Rules, relating to the members of the Audit Committee. Prior to being appointed as directors, nominees undergo a due diligence process by the Company, to establish that they are fit and proper persons.

Principle Four: The Responsibilities of the Board

The Board has the first level responsibility of executing the four basic roles of corporate governance namely accountability, monitoring, strategy formulation and policy development.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policy and the performance of the Company. The Board has a formal schedule of matters reserved for it to discuss and includes a review of the management's implementation of corporate strategy and corporate objectives, assessment of the Company's present and future operations, opportunities, risks and threats emanating from the external environment as well as current and future strengths and weaknesses.

Board Committees

The Board has established the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee's terms of reference, which have been approved by the Listing Authority, are modelled on the provisions of the Listing Rules, primarily to monitor the financial reporting process and the effectiveness of the Company's internal control procedures. Whilst the Committee vets and approves related party transactions, it also considers the materiality and the nature of related party transactions to ensure that the arm's length principle is adhered to.

The Audit Committee is responsible for managing the Board's relationship with the external auditors, monitoring the audit of the annual and consolidated accounts, making recommendations to the Board on their appointment and monitoring their independence, especially with respect to non-audit services. In addition, the Audit Committee is responsible for considering whether a financial internal audit function is required and makes recommendations accordingly to the Board. In the event that the Committee determines the necessity of an internal audit function, it shall recommend the role, functions and remit and how the establishment of such function shall add value to the Company. The Committee shall constantly monitor and assess the role and effectiveness of the internal audit function. Moreover, the Audit Committee shall review the Company's arrangements related to whistle blowing, also ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Mr Franco Azzopardi, an independent non-executive director appointed by the Board, acts and serves as Chairman, whilst Dr Robert Tufigno and Prof. Raša Karapandža, both independent non-executive directors act as members. No changes in the composition of the committee took place during the year ended 31 December 2020. The Company Secretary, Dr Ivan Gatt, acts as secretary to the Committee.

Mr Franco Azzopardi is a qualified accountant and auditor who the Board considers as the person competent in accounting and auditing. Prof. Raša Karapandža is a professor of finance and serves as an academic director of the Master in Finance programme and is deemed to be a competent member of the Audit Committee. Dr Robert Tufigno has practised in the fields of general commercial law, property law and litigation and due to his legal expertise, Dr Robert Tufigno is deemed a competent member of the Audit Committee by the Board. The Board of Directors of the Company considers that the Audit Committee as a whole has the required competence relevant to the payment software industry. In fact, each member has an individual skill set which complements the skills required in this industry.

The members of the Audit Committee are free from any business, family or other relationship with the Company, its controlling shareholder and the management of either. Dr Robert Tufigno is a partner in GTG Advocates (legal advisors to the Company), however such relationship is not considered to be significant and does not create a conflict of interest such as to jeopardise exercise of his free judgement.

The executive directors, members of senior management and the external auditors are invited to attend meetings at the request of the Committee, as and when required.

	Meetings held: 5 **Attended**
Mr Franco Azzopardi	5
Dr Robert Tufigno	3
Prof. Raša Karapandža	5

Principle Five: Board Meetings

Meetings of the Board are held as frequently as necessary and are notified by the Company Secretary with appropriate notice before the meeting. Each agenda for the forthcoming meeting is accompanied by such papers and documents as are necessary to make directors informed of the issues to be discussed and in particular the decisions they are expected to take. Meetings may also include presentations by management, whilst other information and documentation is made available for perusal by the directors, at their request. After each Board meeting and before the next, minutes that faithfully record attendance and decisions are circulated to all directors. Members of senior management attend meetings at the request of the Board, as and when necessary.

The Board meetings were attended as follows:

	Meetings held: 6 Attended
Executive Director	
Mr Radi Abd El Haj (CEO)	6
Non-executive Directors	
Mr Mario Schembri (Chairman)	6
Dr Robert Tufigno	5
Mr Franco Azzopardi	6
Mr John Elkins	5
Prof. Raša Karapandža	5
Mr David Price	2

Dr Ivan Gatt occupies the position of Company Secretary.

Principle Six: Information and professional development

The Chief Executive Officer is appointed by the Board and enjoys the full confidence of the Board. The Chief Executive Officer, although responsible for the recruitment and selection of senior management, consults with the Remuneration Committee and the Board on the appointment of, and on a succession plan for senior management.

As part of the Company's succession planning, the Board implements appropriate schemes to recruit, motivate and retain highly qualified individuals by creating the right environment and opportunities to move forward within the organisation.

On their appointment, new directors are provided with briefings by the Chief Executive Officer and the other Chief Officers on the activities of their respective business area. Ongoing training of directors, management and employees is seen as very important.

The Directors have access to the advice and services of the Company Secretary and supporting legal advice and are entitled, as members of the Board, to take independent professional advice on any matter relating to their duties, at the Company's expense. The Directors are fully aware of their responsibility to act always in the best interests of the Company and its shareholders as a whole, irrespective of whoever appointed them to the Board.

Principle Seven: Evaluation of the Board

During the year under review, the Board undertook an evaluation of its own performance. The Board appointed a sub-committee, comprised of Dr Robert Tufigno and Mr Franco Azzopardi to carry out the performance evaluation of the Board and its Committees. The evaluation exercise was conducted through a Board effectiveness questionnaire. The results were communicated to the Chairman and then discussed at Board level and there were no material changes in the Company's governance structures and organisation to report.

Principle Eight: Committees

The Remuneration Committee is dealt with under a separate section in the Annual Report entitled "Remuneration Committee Report" which can be found on pages 52 to 55. This section also includes a "Remuneration Statement" which deals with the remuneration of Directors and senior management.

Principles Nine and Ten: Relations with Shareholders, Market, and Institutional Shareholders

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. At the Company's Annual General Meeting (AGM), the Board ensures that information is communicated to the shareholders in a transparent and accountable manner. The ordinary business at the AGM is to consider the financial statements of the Company, the directors' and auditors' report for the period, to approve any dividend recommendation by the directors, to elect the directors and to appoint the auditors. The Chairman ensures that all Directors of the Board who include the Chairmen of the Audit and Remuneration Committees are available at the AGM in order to answer questions.

The Board also considers the Annual Report to be an effective document which, in addition to statutory disclosures, contains detailed information about the Company and its performance. At the time of the AGM or whenever there are any significant events affecting the Company, meetings are held with institutional investors, financial intermediaries and stockbrokers.

The Board recognises the importance of providing the market with regular, timely, accurate, comprehensive and comparable information in sufficient detail to enable investors to make informed decisions. Periodic Company announcements are issued in accordance with the Listing Rules to maintain a fair and informed market in the Company's equity securities. The Board discharges its obligations under the Memorandum and Articles of Association, legislation, rules and regulations by having in place formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in this regard. These procedures are incorporated in an Internal Code of Dealing which is drawn up in accordance with the requirements of the Listing Rules and which applies to all directors and key employees of the Company.

The Board believes that shareholders should have an opportunity to send communications to the Board. Any communication from a shareholder to the Board generally or to a particular director should be in writing, signed, contain the number of shares held in the sender's name and should be delivered to the attention of the Company Secretary at the principal offices of the Company.

Any two members of the Company holding at least five per cent (5%) of the shares conferring a right to attend and vote at general meetings of the Company, may convene an Extraordinary General Meeting in accordance with the provisions of the Articles of Association.

The Company's presence is also on the worldwide web through its website at www.rs2.com, which contains information and news about the Company, its products, developments and activities, as well as an investors' section.

Principle Eleven: Conflicts of Interest

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest, irrespective of whoever appointed them to the Board.

The Board has approved an Internal Code of Dealing that details the obligations of the directors, as well as those of senior management and other individuals having access to sensitive information, on dealings in the equity of the Company within the parameters of the law and the Principles.

Each Director has declared his interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest.

In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the director's duties, the conflicted director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director.

Principle Twelve: Corporate Social Responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of CSR. It is therefore committed to embark on initiatives which support the community, the environment, as well as sports and arts.

The Company recognises the importance of good CSR principles in its dealings with its employees. In this regard, it actively encourages open communication, teamwork, training and personal development, whilst creating opportunities based on performance, creativity and initiative. The Company is committed towards social investment and the quality of life of its work force and their families, and of the local community in which it operates.

Part 2: Non Compliance with the Code

Principle Four: The Responsibilities of the Board

Principle 4.2.7: The Code recommends the development of a succession policy for the future composition of the Board of Directors. The Company does not consider this principle to be applicable to it on the basis that appointment of directors is a matter which is reserved exclusively to the Company's shareholders (except as specified herein).

Principle Eight B: Nomination Committee

The Memorandum and Articles of Association of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides that a member holding not less than 0.5% of the issued share capital of the Company having voting rights, or a number of members who in the aggregate hold not less than 0.5% of the issued share capital of the Company having voting rights shall be entitled to nominate fit and proper persons for appointment as directors of the Company. In addition, the directors themselves or a committee appointed for the purpose by the Board may make recommendations and nominations to the shareholders for the appointment of directors at the next AGM.

Within this context, the Board believes that the setting up of a Nomination Committee is currently not suited to the Company since it will not be able to undertake satisfactorily its full functions and responsibilities as envisaged by the spirit of the Code. Notwithstanding this, the Board will retain under review the issue relating to the setting up of a Nomination Committee.

Principle Nine (Code provision 9.3): Relations with shareholders and with the market

The Company firmly believes that shareholder participation is an essential precondition for effective corporate governance.

The Company has fully implemented the Shareholders Rights Directive (Directive 2007/36/EC) as transposed in Maltese Law and to this regard, has introduced a number of measures aimed at facilitating the exercise of shareholders' rights and protecting the shareholders' interests.

The measures currently available for shareholders, notably the right to put items on the agenda of the AGM and to table draft resolutions, and the right to ask questions, provide the necessary safeguards for the protection of the shareholders' interests. To this regard, the Company does not believe that the current corporate structure requires it to introduce (a) procedures to resolve conflicts between minority shareholders and controlling shareholders; and/or (b) the possibility for minority shareholders to formally present an issue to the Board.

Pursuant to Listing Rule 5.97

Rule 5.97.4 – Internal Control and Risk Management Systems in relation to the Financial Reporting Process

The Board is ultimately responsible for the Group's system of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, as opposed to absolute, assurance against material misstatement or loss.

Management is responsible for the identification and evaluation of key risks applicable to the different areas of business. The Board reviews its risk management policies and strategies and oversees their implementation to ensure that identified key risks are properly assessed and managed.

Financial reporting standards are applicable to all entities of the Group. Systems and procedures are in place to identify, control and to report on the major risks. The Board and the Audit Committee receive monthly management information, giving an analysis of financial and business performance and position, including variances against budgets.

On a quarterly basis, a discussion is held with the Audit Committee on the processes in place to generate this financial information. A discussion on the results is also held on a quarterly basis with the Board of Directors.

Rule 5.97.6 – General Meetings

Pursuant to the Company's statutory obligations in terms of the Companies Act and the MFSA Listing Rules, the Annual Report and financial statements, the declaration of a dividend, the election of directors, the appointment of the auditors, the authorisation of the directors to set their remuneration, and other special business, are proposed and approved at the Company's AGM. The Board of Directors is responsible for developing the agenda for the AGM and sending it to the shareholders. The AGM is conducted in accordance with Articles of the Company and has the powers therein defined. The shareholders' rights can be exercised in accordance with the Articles of the Company.

The Memorandum and Articles of the Company may be amended by means of an extraordinary resolution (as defined in the Articles) of the Company during general meetings.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the general meeting may request the Company and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least twenty one (21) days before the date set for the relative general meeting.

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for that purpose.

Mario Schembri
Chairman

Radi Abd El Haj
Director

29 April 2021

Remuneration Report

For the year ended 31 December 2020

Remuneration Report

Terms of Reference and Membership

The remit of the Remuneration Committee ("the Committee") is set out in the Terms of Reference adopted by the Board of Directors. The Committee is composed of three (3) non-executive directors, Dr Robert Tufigno (Chairman), Mr Franco Azzopardi and Mr Mario Schembri. The Chief Executive Officer is invited to attend meetings of the Committee where appropriate. The Chairman of the Committee, Dr Robert Tufigno is independent in accordance with Code Provision 8.A.1.

Meetings

The Committee held seven (7) meetings during the period under review.

	Attended
Dr Robert Tufigno	7
Mr Franco Azzopardi	7
Mr Mario Schembri	7

Remuneration Statement

Remuneration Policy - Directors

The determination of the remuneration arrangements for Board members is determined by the Committee. The Committee is primarily responsible for devising appropriate packages needed to attract, retain and motivate executive and non-executive directors with the right qualities and skills for the proper management of the Company and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.

The Company has agreements with directors providing for compensation upon termination based on either an agreed fixed amount or the then applicable annual salary.

These agreements include a non-competition clause, precluding such employees from competing with the Company in the event that their employment is terminated. Upon termination of employment of the said directors, the Company is bound to grant these individuals a sum based on either an agreed fixed amount or on their annual salary as compensation.

During the year, there were no director contracts which were terminated.

Remuneration Statement – Senior Management

The Committee also makes recommendations on the remuneration of senior management. In making such recommendations, it considers that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

There have been no significant changes in the Company's remuneration policy during the financial year under review and no significant changes are intended to be effected during 2021.

In addition, the Committee is responsible for authorising all remuneration arrangements involving share options. During the year under review, no share options were allocated. There were 91,667 share options outstanding as at 31 December 2020.

In the case of the CEO and the Chief Officers, the Committee is of the view that the link between remuneration and performance is reasonable and appropriate.

Non-cash benefits to which the CEO and Chief Officers are entitled are the use of a company car and health insurance. Other benefits include rental of residential property. The death-in-service benefit also forms part of the contract of employment of senior management personnel on the same terms applicable to all other Company employees.

The Company has agreements with employees holding senior management positions providing for compensation upon termination based either on an agreed fixed amount or on the then applicable annual salary.

These agreements include a non-competition clause, precluding such employees from competing with the Company in the event that their employment is terminated. Upon termination of employment of senior management, the Company is bound to grant these individuals a sum based on their annual salary as compensation. The Company has opted not to disclose further information regarding the remuneration to be paid to its senior executives pursuant to its non-competition clause on the basis that it is commercially sensitive.

Code Provision 8.A.5

Directors

For the financial period under review, the aggregate remuneration of the Directors of the Company was as follows:

Fixed Remuneration	€443,253
Variable Remuneration	€200,000
Fixed remuneration as full time employees of the Company	€596,152
Others	€39,303

Directors' total remuneration, split out by component, for the financial year ended 31 December 2020, was as follows:

	Fixed Remuneration	Variable Remuneration	Fixed remuneration as full time employees of the Company	Others	Total
	€	€	€	€	€
Mr Mario Schembri (Chairman)	184,279	-	-	-	184,279
Mr Radi Abd El Haj (CEO)	39,000	200,000	596,152	-	835,152
Dr Robert Tufigno	54,000	-	-	-	54,000
Mr Franco Azzopardi	59,000	-	-	-	59,000
Mr John Elkins	13,101	-	-	39,303	52,404
Prof. Raša Karapandža*	93,873	-	-	-	93,873
Mr David Price**	-	-	-	-	-
	443,253	200,000	596,152	39,303	1,278,708

* Prof. Raša Karapandža did not receive remuneration in the two preceding years, and was accordingly compensated during the year ended 31 December 2020.

** Mr David Price is the Managing Director of Client Coverage in Barclaycard Commercial Payments. No remuneration is paid by the Company as he is remunerated accordingly by Barclays Group, being one of the shareholders of RS2 Software p.l.c..

In terms of Code Provision 8.A.5 of the Malta Financial Services Authority Listing Rules, the Chief Executive Officer of RS2 Software p.l.c. received remuneration of €120,000 by one of the subsidiaries during the financial year ended 31 December 2020. The total emoluments was entitled to the Chief Executive Officer for this financial year amounted to €955,152.

The Remuneration Committee is guided by a policy which binds the members of the committee and defines parameters on constitution of committees, membership, frequency of meetings, the duties and defines other obligations of the committee under a section named other matters.

Within section four (titled Duties) of the aforementioned policy; the Committee has the vested powers to agree on the remuneration package of the Directors based on parameters as set out in section 4 (iv). The committee has full visibility of the Company's projected budgets for a three year span, and is also aware of Company performance for any quarter and year. The remuneration of each Director, together with the responsibility carried by each member, ensures a fair compensation to ensure achievement of the expected results of the Company, as outlined in the budgets, and also ensures that the overall remuneration package remains competitive when positioned in the market. The performance criteria applied in 2020 were based on the increased responsibility that is expected to be carried by the Directors on various fronts including but not limited to; achievement of performance targets, retention of existing clients, adherence to governance rules and regulations in the various regions of established subsidiaries and ensuring best practices, as well as continuing to optimise management and operations practices of the Group.

The performance criteria on which the variable component of remuneration was awarded included both an objective evaluation (results-based) and strategic measures (behaviour-focused). The Committee measured these qualities and abilities as critical performance criteria. The evaluation process also focused on the ability to align the Company's operations with the strategy of the organisation and integration with the overall organisation's goals.

Senior Management personnel

For the financial period under review, the aggregate remuneration of the senior management personnel of the Company, other than those that serve as Directors, was as follows:

Fixed Remuneration	€858,863
Variable Remuneration	€282,750
Share-based Payments	€(10,385)*
Share Options	Nil
Others	Nil

* As further disclosed in Note 29.2, this pertains to the reversal of the provision for share-based payments accounted for in the financial year under review, thereby having a total provision of €255,000 as at end of December 2020. In the last quarter of 2020, a revised scheme was determined by the Board of Directors in respect of a member of senior management personnel, whereby the obligation to this employee is still being honoured by awarding the individual 85% of the total agreed upon compensation.

The contents of the Remuneration Report have been reviewed by the external auditor to ensure that the information that needs to be provided in terms of Chapter 12 of the Listing Rules including Appendix 12.1 has been included.

Dr Robert Tufigno
Chairman, Remuneration Committee

29 April 2021

Statement of the Directors pursuant to Listing Rule 5.68

For the year ended 31 December 2020

We, the undersigned declare that to the best of our knowledge, the financial statements set out on pages 60 to 191 are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group and that the Directors' Report includes a fair view of the performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of directors on 29 April 2021 by:

Mario Schembri
Chairman

Radi Abd El Haj
Director

Company Information

For the year ended 31 December 2020

Directors	Mr Mario Schembri (Chairman) Mr Radi Abd El Haj (CEO) Dr Robert Tufigno Mr Franco Azzopardi Mr John Elkins Prof Raša Karapandža Mr David Price
Company Secretary	Dr Ivan Gatt
Registered Office	RS2 Buildings Fort Road Mosta MST 1859 Malta
Country of Incorporation	Malta
Company Registration Number	C 25829
Auditors	Deloitte Audit Limited Deloitte Place Triq L-Intornjatur Central Business District CBD 3050, Malta
Legal Advisors	Gatt Tufigno Gauci Advocates 66, Old Bakery Street Valletta VLT 1454 Malta

Directors' Responsibility for the Financial Statements

For the year ended 31 December 2020

The Companies Act, 1995 (Chapter 386, Laws of Malta) requires the Directors of the Company to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

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

The Directors, through oversight of management, are responsible to ensure that the Group establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Group's business. This responsibility includes establishing and maintaining controls pertaining to the Group's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, Directors consider the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors on 29 April 2021 by:

Mario Schembri
Chairman

Radi Abd El Haj
Director

Financial Statements

Statements of Financial Position

As at 31 December 2020

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Assets	**Notes**	**€**	€	**€**	€
Property, plant and equipment	8	**8,802,339**	9,212,926	**7,912,295**	8,145,237
Right-of-use assets	9	**2,245,182**	2,560,771	**460,542**	497,120
Intangible assets and goodwill	10	**12,827,567**	8,961,429	**7,372,497**	6,479,242
Investments in subsidiaries	11	**-**	-	**16,306,108**	14,475,363
Other investment	12	**-**	217,105	**-**	217,105
Deferred tax assets	19	**210,653**	-	**-**	-
Loans receivable	14	**796,631**	786,170	**3,099,629**	844,189
Finance leases receivable	9	**89,071**	-	**-**	-
Total non-current assets		**24,971,443**	21,738,401	**35,151,071**	30,658,256
Trade and other receivables	14	**2,736,289**	4,189,260	**7,860,512**	2,948,605
Finance leases receivable	9	**41,443**	-	**-**	-
Loans receivable	14	**910**	137,938	**1,135**	6,444
Prepayments		**769,671**	710,745	**690,225**	581,505
Accrued income and contract costs	15	**2,425,586**	2,613,500	**9,590,302**	5,058,359
Inventories	13	**21,391**	-	**-**	-
Cash at bank and in hand	16	**6,822,254**	2,422,211	**1,540,066**	1,141,695
		12,817,544	10,073,654	**19,682,240**	9,736,608
Non-current asset classified as held for sale	12	**296,205**	-	**296,205**	-
Total current assets		**13,113,749**	10,073,654	**19,978,445**	9,736,608
Total assets		**38,085,192**	31,812,055	**55,129,516**	40,394,864

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Equity	**Notes**	**€**	€	**€**	€
Share capital	17	**11,578,114**	11,578,114	**11,578,114**	11,578,114
Other equity		**(136,556)**	-	**(136,556)**	-
Reserves	17	**(1,563,479)**	(182,759)	**(1,358,891)**	(160,316)
Retained earnings	17	**1,837,307**	5,617,485	**19,215,770**	15,536,017
Total equity attributable to equity holders of the Company		**11,715,386**	17,012,840	**29,298,437**	26,953,815
Non-controlling interest		**(4,645,276)**	(2,927,662)	**-**	-
Total equity		**7,070,110**	14,085,178	**29,298,437**	26,953,815
Liabilities					
Bank borrowings	18	**1,621,137**	66,805	**1,621,137**	66,805
Lease liabilities	9	**1,944,697**	2,198,329	**450,817**	466,233
Employee benefits	28, 29	**3,769,369**	2,964,959	**3,249,422**	2,252,049
Deferred tax liabilities	19	**1,467,005**	1,434,154	**1,387,510**	1,445,108
Derivatives	18	**-**	9,497	**-**	9,497
Total non-current liabilities		**8,802,208**	6,673,744	**6,708,886**	4,239,692
Bank borrowings	18	**10,141,881**	3,912,653	**10,141,881**	3,912,653
Trade and other payables	20	**2,166,879**	1,704,397	**1,984,010**	1,462,789
Lease liabilities	9	**333,149**	363,773	**15,420**	26,922
Derivatives	18	**660**	-	**660**	-
Current tax payable		**2,868,981**	647,466	**2,868,252**	647,466
Accruals	21	**3,376,536**	1,813,532	**1,577,322**	1,087,429
Provisions	33	**81,493**	-	**-**	-
Employee benefits	28, 29	**1,379,512**	774,800	**381,512**	111,422
Deferred income	21	**1,863,783**	1,836,512	**2,153,136**	1,952,676
Total current liabilities		**22,212,874**	11,053,133	**19,122,193**	9,201,357
Total liabilities		**31,015,082**	17,726,877	**25,831,079**	13,441,049
Total equity and liabilities		**38,085,192**	31,812,055	**55,129,516**	40,394,864

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements. Approved and authorised for issue by the Board of Directors on 29 April 2021 and were signed on its behalf by:

Mario Schembri
Chairman

Radi Abd El Haj
Director

Statements of Profit or Loss

For the year ended 31 December 2020

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Continuing Operations	**Note**	**€**	€	**€**	€
Revenue	22	**26,813,722**	22,099,721	**23,812,882**	18,719,997
Cost of sales	23	**(18,623,821)**	(15,096,946)	**(11,758,149)**	(11,856,662)
Gross profit		**8,189,901**	7,002,775	**12,054,733**	6,863,335
Other income	23	**104,569**	64,421	**39,787**	69,739
Marketing and promotional expenses	23	**(1,524,663)**	(1,851,523)	**(594,740)**	(484,830)
Administrative expenses	23	**(8,331,729)**	(7,026,087)	**(4,611,193)**	(3,952,938)
Other expenses	23	**(812,953)**	(111,290)	**(786,907)**	(47,364)
Impairment (loss)/gain on trade receivables and contract assets	23	**(27,462)**	(73,031)	**1,344**	41,360
Impairment loss on contract costs	23	**(1,045,586)**	-	**-**	-
Results from operating activities		**(3,447,923)**	(1,994,735)	**6,103,024**	2,489,302
	24				
Finance income	24	**40,608**	31,124	**90,423**	57,038
Finance costs		**(481,548)**	(151,645)	**(350,489)**	(93,642)
Net finance costs		**(440,940)**	(120,521)	**(260,066)**	(36,604)
(Loss)/Profit before tax	25	**(3,888,863)**	(2,115,256)	**5,842,958**	2,452,698
Tax charge		**(2,066,555)**	(1,088,824)	**(2,163,205)**	(965,846)
(Loss)/Profit for the year		**(5,955,418)**	(3,204,080)	**3,679,753**	1,486,852
(Loss)/Profit for the year attributable to:					
Owners of the Company		**(3,780,178)**	(1,633,902)	**3,679,753**	1,486,852
Non-controlling interest		**(2,175,240)**	(1,570,178)	**-**	-
(Loss)/Profit for the year		**(5,955,418)**	(3,204,080)	**3,679,753**	1,486,852
	26				
(Loss)/Earnings per share		**-€0.020**	-€0.008	**€0.019**	€0.008

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December 2020

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
	Note	**€**	€	**€**	€
(Loss)/Profit for the year		**(5,955,418)**	(3,204,080)	**3,679,753**	1,486,852
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences on foreign operations		**282,428**	49,819	**-**	-
Items that will not be reclassified to profit or loss					
Net change in fair value of investment in equity instruments designated at FVTOCI upon initial recognition	12	**79,100**	-	**79,100**	-
Remeasurement in net defined benefit liability	28	**(1,274,237)**	(92,746)	**(1,267,290)**	(116,698)
		(912,709)	(42,927)	**(1,188,190)**	(116,698)
Total comprehensive (loss)/income		**(6,868,127)**	(3,247,007)	**2,491,563**	1,370,154
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(5,150,513)**	(1,655,474)	**2,491,563**	1,370,154
Non-controlling interest		**(1,717,614)**	(1,591,533)	**-**	-
Total comprehensive (loss)/income for the year		**(6,868,127)**	(3,247,007)	**2,491,563**	1,370,154

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 31 December 2020

THE GROUP

		Attributable to equity holders of the Company				Attributable to equity holders of the Company							
	Note	**Share capital €**	**Other Equity €**	**Share premium €**	**Translation reserve €**	**Fair value reserve €**	**Employee benefits reserve €**	**Other reserves €**	**Share option reserve €**	**Retained earnings €**	**Total €**	**Non-controlling interest €**	**Total €**
Balance at 1 January 2019		10,291,657	–	1,077	(117,043)	(1,873)	(385,995)	165,385	85,158	8,529,949	18,568,315	(1,336,130)	17,232,185
Comprehensive income for the year													
Loss for the year		–	–	–	–	–	–	–	–	(1,633,902)	(1,633,902)	(1,570,178)	(3,204,080)
Other comprehensive income													
Foreign currency translation differences		–	–	–	71,173	–	–	–	–	–	71,173	(21,354)	49,819
Remeasurement in net defined benefit liability	28	–	–	–	–	–	(92,746)	–	–	–	(92,746)	–	(92,746)
Total other comprehensive income/(loss) for the year		–	–	–	71,173	–	(92,746)	–	–	–	(21,573)	(21,354)	(42,927)
Total comprehensive income/(loss) for the year		–	–	–	71,173	–	(92,746)	–	–	(1,633,902)	(1,655,475)	(1,591,532)	(3,247,007)
Transactions recorded directly in equity													
Employee share benefits	29	–	–	–	–	–	–	100,000	–	–	100,000	–	100,000
		–	–	–	–	–	–	100,000	–	–	100,000	–	100,000
Transactions with owners of the Company									–				
Bonus Issue	17	1,286,457	–	–	–	–	–	–		(1,286,457)	–	–	–
		1,286,457	–	–	–	–	–	–	–	(1,286,457)	–	–	–
Share options exercised		–	–	–	–	–	–	–	(7,895)	7,895	–	–	–
Balance at 31 December 2019		**11,578,114**	**–**	**1,077**	**(45,870)**	**(1,873)**	**(478,741)**	**265,385**	**77,263**	**5,617,485**	**17,012,840**	**(2,927,662)**	**14,085,178**
Balance at 1 January 2020		11,578,114	–	1,077	(45,870)	(1,873)	(478,741)	265,385	77,263	5,617,485	17,012,840	(2,927,662)	14,085,178
Comprehensive income for the year													
Loss for the year		–	–	–	–	–	–	–	–	(3,780,178)	(3,780,178)	(2,175,240)	(5,955,418)
Other comprehensive income													
Foreign currency translation differences		–	–	–	(175,198)	–	–	–	–	–	(175,198)	457,626	282,428
Net change in fair value of investments designated at FVTOCI upon initial recognition		–	–	–	–	79,100	–	–	–	–	79,100	–	79,100
Remeasurement in net defined benefit liability	28	–	–	–	–	–	(1,274,237)	–	–	–	(1,274,237)	–	(1,274,237)
Total other comprehensive (loss)/income for the year		–	–	–	(175,198)	79,100	(1,274,237)	–	–	–	(1,370,335)	457,626	(912,709)
Total comprehensive (loss)/income for the year		–	–	–	(175,198)	79,100	(1,274,237)	–	–	(3,780,178)	(5,150,513)	(1,717,614)	(6,868,127)
Transactions recorded directly in equity													
Employee share benefits	29	–	–	–	–	–	–	(10,385)	–	–	(10,385)	–	(10,385)
		–	–	–	–	–	–	(10,385)	–	–	(10,385)	–	(10,385)
Transactions with owners of the Company													
Share Issuance costs		–	(136,556)	–	–	–	–	–	–	–	(136,556)	–	(136,556)
		–	(136,556)	–	–	–	–	–	–	–	(136,556)	–	(136,556)
Balance at 31 December 2020		**11,578,114**	**(136,556)**	**1,077**	**(221,068)**	**77,227**	**(1,752,978)**	**255,000**	**77,263**	**1,837,307**	**11,715,386**	**(4,645,276)**	**7,070,110**

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

Statements of Changes in Equity

(Continued)

For the year ended 31 December 2020

THE COMPANY	Note	Share capital €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
Balance at 1 January 2019		10,291,657	1,077	(1,873)	165,385	85,158	(385,470)	15,166,809	25,322,743
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	1,486,852	1,486,852
Other comprehensive income									
Remeasurement in net defined benefit liability	28	-	-	-	-	-	(116,698)	-	(116,698)
Total other comprehensive loss for the year		-	-	-	-	-	(116,698)	-	(116,698)
Total comprehensive (loss)/income for the year		-	-	-	-	-	(116,698)	1,486,852	1,370,154
Transactions recorded directly in equity									
Employee share benefits	29	-	-	-	100,000	-	-	-	100,000
Discount unwind		-	-	-	-	-	-	160,918	160,918
		-	-	-	100,000	-	-	160,918	260,918
Transactions with owners of the Company									
Bonus issue	17	1,286,457	-	-	-	-	-	(1,286,457)	-
		1,286,457	-	-	-	-	-	(1,286,457)	-
Share options exercised		-	-	-	-	(7,895)	-	7,895	-
Balance at 31 December 2019		**11,578,114**	**1,077**	**(1,873)**	**265,385**	**77,263**	**(502,168)**	**15,536,017**	**26,953,815**

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

THE COMPANY	Note	Share capital €	Other equity €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
Balance at 1 January 2020		11,578,114	-	1,077	(1,873)	265,385	77,263	(502,168)	15,536,017	26,953,815
Comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	3,679,753	3,679,753
Other comprehensive income										
Remeasurement in net defined benefit liability	28	-	-	-	-	-	-	(1,267,290)	-	(1,267,290)
Net change in fair value of equity investments designated as FVTOCI upon initial recognition		-	-	-	79,100	-	-	-	-	79,100
Total other comprehensive income/(loss) for the year		-	-	-	79,100	-	-	(1,267,290)	-	(1,188,190)
Total comprehensive income/(loss) for the year		-	-	-	79,100	-	-	(1,267,290)	3,679,753	2,491,563
Transactions recorded directly in equity										
Employee share benefits	29	-	-	-	-	(10,385)	-	-	-	(10,385)
		-	-	-	-	(10,385)	-	-	-	(10,385)
Transactions with owners of the Company										
Share issuance costs		-	(136,556)	-	-	-	-	-	-	(136,556)
		-	(136,556)	-	-	-	-	-	-	(136,556)
Balance at 31 December 2020		**11,578,114**	**(136,556)**	**1,077**	**77,227**	**255,000**	**77,263**	**(1,769,458)**	**19,215,770**	**29,298,437**

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2020

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Cash flows from operating activities	**Notes**	**€**	€	**€**	€
(Loss)/Profit for the year		**(5,955,418)**	(3,204,080)	**3,679,753**	1,486,852
Adjustments for:					
Depreciation	8, 9	**1,104,996**	1,004,082	**375,867**	411,313
Amortisation of intangible assets	10	**939,304**	791,983	**877,640**	791,983
Provision for expected credit losses	23	**8,427**	(42,000)	**4,000**	(42,000)
Provision for impairment loss/(gain) on receivables and contract costs	23	**953,270**	81,514	**(5,341)**	(32,877)
Provisions	33	**81,493**	-	**-**	-
Bad debts written off	23	**111,354**	33,517	**-**	33,517
Interest payable		**306,208**	119,808	**255,602**	67,029
Interest receivable		**(31,771)**	(11,072)	**(72,200)**	(10,743)
Unwinding of discount on post-employment benefits	28	**173**	323,849	**173**	322,866
Unwinding of discount on contract assets	24	**-**	-	**(9,387)**	(26,243)
Unwinding of discount on deposit		**1,224**	1,149	**-**	-
Employee share benefits	29	**271,560**	311,278	**(10,385)**	100,000
Impairment loss on property and equipment		**392**	-	**-**	-
Gain on sale of property, plant and equipment		**1,234**	313	**-**	-
Income tax	25	**2,066,555**	1,088,824	**2,163,205**	965,846
Provision for exchange fluctuations		**875,834**	(2,014)	**793,251**	(15,288)
Change in fair value of derivative	24	**(8,836)**	(18,180)	**(8,836)**	(18,180)
		725,999	478,971	**8,043,342**	4,034,075
Changes in trade and other receivables		**909,091**	(2,785,459)	**958,552**	24,360
Changes in trade and other payables		**1,485,374**	2,390,589	**817,505**	490,547
Change in other related parties' balances		**(147,234)**	-	**(13,579,908)**	(2,094,358)
Cash generated from/(used in) operating activities		**2,973,230**	84,101	**(3,760,509)**	2,454,624
Interest paid		**(277,659)**	(92,321)	**(255,586)**	(67,670)
Interest received		**20,191**	330	**61,541**	295
Income taxes paid		**(17)**	(1,100,201)	**(17)**	(1,052,058)
Net cash generated from/(used in) operating activities		**2,715,745**	(1,108,091)	**(3,954,571)**	1,335,191
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(154,073)**	(441,868)	**(71,366)**	(134,607)
Acquisition of intangible assets		**(145,800)**	-	**-**	-
Capitalised development costs	10	**(2,637,430)**	(2,223,615)	**(1,770,895)**	(1,137,504)
Acquisition of company	11	**(2,000,000)**	-	**-**	-
Investment in subsidiary	11	**-**	-	**-**	(175,000)
Advances to subsidiaries		**-**	-	**(4,080,753)**	(5,041,813)
Repayment of advances from subsidiaries		**-**	-	**2,562,883**	379,407
Receipts from finance leases	9	**49,243**	-	**-**	-
Additional security deposit		**-**	(7,988)	**-**	-
Additional advance rent		**-**	(5,977)	**-**	-
Net cash used in investing activities		**(4,888,060)**	(2,679,448)	**(3,360,131)**	(6,109,517)

		THE GROUP		THE COMPANY	
		2020	2019	**2020**	2019
Cash flows from financing activities	**Notes**	**€**	€	**€**	€
Dividends paid		**-**	(83)	**-**	(83)
Proceeds from bank borrowings		**2,500,000**	-	**2,500,000**	-
Repayments of bank borrowings		**(594,153)**	(634,057)	**(594,153)**	(634,057)
Repayment of lease liabilities	9	**(519,715)**	(347,318)	**(40,469)**	(25,999)
Payments of preference share issue costs		**(31,556)**	-	**(31,556)**	-
Net cash generated from/(used in) financing activities		**1,354,576**	(981,458)	**1,833,822**	(660,139)
Net movement in cash and cash equivalents		**(817,739)**	(4,768,997)	**(5,480,880)**	(5,434,465)
Cash and cash equivalents at 1 January		**(1,357,287)**	3,402,972	**(2,637,803)**	2,798,944
Effect of exchange rate fluctuations on cash held		**(659,931)**	8,738	**1,538**	(2,282)
Cash and cash equivalents at 31 December	16	**(2,834,957)**	(1,357,287)	**(8,117,145)**	(2,637,803)

The accompanying Notes on pages 72 to 191 are an integral part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

Year ended 31 December 2020

1 REPORTING ENTITY

RS2 Software p.l.c. ("the Company") is a public limited liability company domiciled and incorporated in Malta with registration number C25829. The registered address of the Company is RS2 Buildings, Fort Road, Mosta, MST 1859, Malta. These consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (collectively referred to as "the Group" and individually as "Group entities").

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The consolidated and separate financial statements ("the financial statements") have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS" or "the applicable framework"). All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta), and Article 4 of Regulation 1606/2002/EC, which requires the companies having their securities traded on a regulated market of any EU member state to prepare their consolidated financial statements in conformity with IFRS as adopted by the EU. Details of the accounting policies are included in Note 4 to these financial statements. Legal Notice 19 of 2009 as amended by Legal Notice 233 of 2016, Accountancy Profession (Accounting and Auditing Standards) (Amendments) Regulations, 2016, which defines compliance with generally accepted accounting principles and practice as adherence to IFRS as adopted by the EU was also adhered to when preparing and presenting these financial statements.

2.1.2 GOING CONCERN

During the year under review, the Company registered revenues from its principal activities of €23.8m (2019: €18.7m) and a profit before tax of €5.8m (2019: €2.5m). The Managed Services arm of the Group, RS2 Smart Processing Limited which is principally engaged in the processing of payment transactions with the use of BankWORKS®, recorded revenues of €4.0m (2019: €4.9m) and a loss before tax of €0.2m (2019: profit before tax of €0.3m). RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. RS2 Software INC. serves as the US arm of the Group with specific focus on the provision of Managed Services in North America.

2 BASIS OF PREPARATION (Continued)

2.1 STATEMENT OF COMPLIANCE (Continued)

2.1.2 GOING CONCERN (Continued)

The RS2 German subsidiaries focus mainly on direct merchant acquiring and issuing services using one platform that integrates through API to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels.

During the year under review, on consolidating all of its activities, the Group generated revenues of €26.8m (2019: €22.1m) and registered a loss before tax of €3.9m (2019: €2.1m). At 31 December 2020, the Group's total assets amounted to €38.1m (2019: €31.8m), whereas its current liabilities exceeded its current assets by €9.1m (2019: €1.0m).

RS2 Software plc increased its revenues over prior year despite the COVID-19 pandemic, and for this reason, the Company was not eligible to take up the Government schemes available in Malta. On the other hand, RS2 Software INC. submitted an SBA Paycheck Protection Program (PPP) loan application which is pending final administrative approval to confirm that the aforementioned company is eligible for forgiveness, however there is reasonable assurance that the company is in fact eligible for forgiveness. RS Financial Services GmbH and RS2 Zahlungsysteme GmbH also took advantage of COVID-19 schemes available to them and accordingly applied for a wage supplement covering the reduced hours worked by employees of these entities during the initial lock-down period in 2020. These grants were approved and paid out by the German Government.

A going concern assessment has been performed by management covering 2021 to 2023, adjusting for known impacts related to COVID-19. Expected revenues from tourism-based clients have been adjusted in our forecasts and slow-downs in implementation experienced by certain affected existing clients.

As a base case scenario, revenues from clients which are being affected by COVID-19 have been delayed to 2022. 2021 budgeted revenues therefore solely reflect contracted revenues or revenues from existing clients, since any revenues from new clients or new revenue streams have been delayed in the budget. In addition to this, the funds the Company is expecting to generate from the share issue during 2021 was estimated at 30% of the targeted amount. Taking such factors into consideration, the assessment shows that RS2 Group is still expected to generate profits and positive cash flows in 2021 onwards, thereby giving sufficient comfort that the Group can continue operating as a going concern.

2 BASIS OF PREPARATION (Continued)

2.1 STATEMENT OF COMPLIANCE (Continued)

2.1.2 GOING CONCERN (Continued)

Management also carried out a stress test by decreasing revenues by a further 10% from the base case. In this case, the Company may need to utilize its overdraft facility (as explained below), however, the net movement in cash is still sufficient to enable us to meet our liabilities as and when they fall due and therefore no going concern issues are raised.

To mitigate the effects on revenue from delayed projects as mentioned above, cost containment measures were put in place across all the Group companies. Non-contracted capital expenditure plans have also been postponed. Cost-cutting measures taken include curtailing of personnel costs, deferral of payments and all other unnecessary costs.

Furthermore, interim bridge financing has been negotiated with APS Bank p.l.c. whereby an overdraft of €10m already held by the Company has been extended to €16.5m until the funds from the share issue are received.

The additional liquidity sought after by way of the preference share issue which took place in March 2021 was not in view of the adverse liquidity position brought about by COVID-19, but is required in order to accelerate growth of the Group over the coming years by further investing in the US and Germany, and a number of internal projects underway.

The Board of Directors is confident that the Group can, not only continue to operate as a going concern for 12 months from the date of approval of the financial statements, but will continue to see substantial growth over the coming years.

2.2 BASIS OF ACCOUNTING

Details of the Group's accounting policies are included in Note 4. Changes to significant accounting policies are described in Note 3.

2.3 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and equity investments designated at fair value through other comprehensive income (FVTOCI) upon initial recognition which are measured at fair value.

The methods used to measure fair values are discussed further in Note 5.

2 BASIS OF PREPARATION (Continued)

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the Company's functional currency.

2.5 USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about judgements, assumptions and estimation uncertainties that have a significant risk of uncertainty which may result in a material adjustment to the carrying amounts of assets and liabilities is included in the following notes:

Note 2.5.1	impairment reviews
Note 4.6.7	useful life of internally generated computer software and software rights and customer and other related contractual relationship
Note 4.16	IFRS 15 revenue judgements and estimates
Notes 5.1.5, 29.3	cash-settled share-based payments
Note 6	recoverability assessment on trade and other receivables
Notes 10.8, 10.9	impairment test for cash-generating unit (CGU) containing goodwill: key assumptions underlying recoverability
Notes 10.8.4, 10.9.4, 11	recoverability of investment in subsidiaries
Note 28	measurement of defined benefit obligations

In accordance with the requirements of IAS 1 Presentation of Financial Statements, assumptions and other sources of estimation uncertainty that require management's most difficult, subjective or complex judgements include impairment reviews, the estimation of the fair value of the liability for the cash-settled share-based payment arrangement and the determination of whether the fee for the implementation activity (without the sale of a license) relates to a distinct performance obligation and whether that activity results in the transfer of a promised good or service to the customer.

2 BASIS OF PREPARATION (Continued)

2.5 USE OF ESTIMATES AND JUDGEMENTS (Continued)

2.5.1 IMPAIRMENT REVIEWS

The determination of the recoverable amount involves significant management judgement. In most cases this involves an assessment as to whether the carrying value of assets can be supported by the present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

With respect to goodwill and intangible assets not yet put in use, IFRS requires management to undertake a test for impairment at least annually and at each reporting period if there is an indication that the asset may be impaired. The Group currently undertakes an annual impairment test covering goodwill and also reviews other certain financial and non-financial assets at least annually to consider whether a full impairment review is required.

There are a number of assumptions and estimates involved in calculating the present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit or loss before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The selection of assumptions and estimates by management involves significant judgement and small changes in these assumptions could result in the determination of a recoverable amount which is materially different to the results obtained using the variables selected by the Company. This is particularly so in respect to the discount rate and growth rate assumptions used in the cash flow projections. Changes in the assumptions used could significantly affect the Group's impairment evaluation and, hence, results.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

3 NEW STANDARDS AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

3.1 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted, however the Group and the Company have not early adopted the new or amended standards in preparing these financial statements. These standards include the following:

The amendment to IAS 1: Classification of Liabilities as Current or Non-Current, may be relevant to the Group and the Company. The amendments affect only the presentation of liabilities in the statement of financial position. They clarify that the classification should be based on rights that are in existence at the end of the reporting period, that classification is unaffected by expectation about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual periods beginning on or after 1 January 2023. The Group and the Company will assess the impact of this based on conditions at the respective balance sheet dates.

3.2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

During the financial year ended 31 December 2020, the Group and the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's and the Company's accounting period beginning on 1 January 2020. The adoption of the following standards did not result in significant changes to the Group's accounting policies impacting the financial performance and position:

- Amendments to IAS 1 and IAS 8: Definition of Material (effective on or after 1 January 2020) - The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards; and
- Amendments to IFRS 3: Definition of a business (effective on annual periods beginning on or after 1 January 2020) - The amendments assist companies determine whether an acquisition made is of a business or a group of assets. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business. The amended definition of business emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

4.1 BASIS OF CONSOLIDATION

4.1.1 SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to direct the relevant activities that significantly affect the subsidiary's returns. In assessing control, there should also be exposure, or rights, to variable returns from its involvement with the subsidiary and the ability of the Group to use its powers over the subsidiary to affect the amount of the Group's returns.

The financial statements of the subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been amended where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

4.1.2 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

4.2 FOREIGN CURRENCY

4.2.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate as at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss except for differences arising on the revaluation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 FOREIGN CURRENCY (Continued)

4.2.2 FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency using exchange rates as at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates as at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve. However, if the operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income in the consolidated financial statements, and are presented within equity in the foreign currency translation reserve.

4.3 FINANCIAL INSTRUMENTS

4.3.1 NON-DERIVATIVE FINANCIAL ASSETS

The Group initially recognises loans and receivables and deposits on the date that they were entered into. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets not classified at fair value through profit or loss (FVTPL), are initially recognised at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset such amounts and intends to either settle such amounts on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following principal non-derivative financial assets: loans, trade receivables, investments and cash and cash equivalents.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 FINANCIAL INSTRUMENTS (Continued)

4.3.1 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.3.1.1 CLASSIFICATION OF FINANCIAL ASSETS

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Debt instruments are subsequently measured at amortised cost, if they meet the following conditions:

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

Debt instruments are subsequently measured at FVTOCI, if they meet the following conditions:

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

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Business model
An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 FINANCIAL INSTRUMENTS (Continued)

4.3.1 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.3.1.2 DEBT INSTRUMENTS MEASURED AT AMORTISED COST

The following financial assets are classified within this category – trade receivables, cash at bank, loans receivable.

Appropriate allowances for expected credit losses (ECLs) are recognised in profit or loss in accordance with the Group's accounting policy on ECLs.

Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss.

Interest income is recognised using the effective interest rate method and is included in the line item 'Finance income'.

Trade receivables which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for ECLs.

4.3.1.3 EQUITY INSTRUMENTS DESIGNATED AS AT FVTOCI

The following financial assets are classified within this category – the Company's Other Investment.

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity instrument is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Such financial assets are subsequently measured at fair value. Gains and losses arising from changes in fair value, including foreign exchange gains and losses, are recognised in other comprehensive income. The cumulative gain or loss that is recognised in other comprehensive income is not subsequently transferred to profit or loss.

Dividends on these equity instruments are recognised in profit or loss unless the dividends clearly represent recovery of part of the cost of the investment. Dividends are included within 'Finance income'.

4.3.2 NON-DERIVATIVE FINANCIAL LIABILITIES

The Group initially recognises all financial liabilities, except for debt securities issued and subordinated liabilities, on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 FINANCIAL INSTRUMENTS (Continued)

4.3.2 NON-DERIVATIVE FINANCIAL LIABILITIES (Continued)

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group's non-derivative financial liabilities include: loans, borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Trade payables are stated at their nominal value, unless the effect of discounting is material.

4.3.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Group held a derivative financial instrument to hedge its interest rate risk exposures.

Derivatives are initially recognised at fair value; attributable transactions are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for in profit or loss.

4.3.4 SHARE CAPITAL

Ordinary shares, as well as preference shares, are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

4.3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented as current liabilities in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.1 RECOGNITION AND MEASUREMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Borrowing costs related to the acquisition and construction of qualifying assets are capitalised as incurred.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'Other income' in profit or loss.

4.4.2 SUBSEQUENT COSTS

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

4.4.3 DEPRECIATION

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Buildings constructed on leased land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership at the end of the lease term. Land is not depreciated.

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

• buildings	25 - 50 years
• electrical and plumbing installation	15 years
• furniture, fixtures & fittings	10 years
• air-conditioning	6 years
• motor vehicles	5 years
• computer equipment	4 years
• terminals	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end, and adjusted as appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 LEASES

4.5.1 THE GROUP AS A LESSEE

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment, over a similar term, and with a similar security.

The lease liability is presented in the statement of financial position as a separate line item.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 LEASES (Continued)

4.5.1 THE GROUP AS A LESSEE (Continued)

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

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

Right-of-use assets

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a ROU asset, such costs are included with the related ROU asset amount, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset, or the cost of the ROU asset reflects that the Group expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented in the statement of financial position as a separate line item.

The Group applies IAS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss as described in Note 4.10.3.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within 'Other expenses' in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 LEASES (Continued)

4.5.1 THE GROUP AS A LESSEE (Continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

4.5.2 THE GROUP AS A LESSOR

The Group enters into lease agreements as a lessor with respect to its rented terminals. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for ECLs on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 INTANGIBLE ASSETS

4.6.1 RE-ACQUIRED RIGHTS

When as part of a business combination, the Group re-acquires a right that it had previously granted to the acquiree to use one or more of its recognised or unrecognised assets, an intangible asset is recognised separately from goodwill. The value of the re-acquired rights is measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals in determining its fair value. A settlement gain or loss is recognised by the Group when the terms of the contract giving rise to a re-acquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items.

4.6.2 GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

4.6.3 INTERNALLY GENERATED COMPUTER SOFTWARE DEVELOPMENT

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

4.6.4 SOFTWARE RIGHTS

Software rights that are separable or arise from contractual or other legal rights are recognised as intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 INTANGIBLE ASSETS (Continued)

4.6.4 SOFTWARE RIGHTS (Continued)

Software rights are initially measured at cost. Subsequent to initial recognition, software rights are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

4.6.5 CUSTOMER AND OTHER RELATED CONTRACTUAL RELATIONSHIP

Customer and other related contractual relationships acquired as a result of a business combination are initially recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line basis based on the timing of projected cash flows of the contracts over their estimated useful lives.

4.6.6 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and when it meets the definition of an intangible asset and the recognition criteria. All other expenditure is recognised in profit or loss as incurred.

4.6.7 AMORTISATION

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected patterns of consumption of the future economic benefits embodied in the asset.

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

• internally generated computer software	15 years
• software rights	15 years
• computer software	4 years
• other software	15 years
• customer and other related contractual relationship	12 years

The amortisation method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 INTANGIBLE ASSETS (Continued)

4.6.7 AMORTISATION (Continued)

The assessment of all 4 categories of the useful life of software is based on the following factors:

- The software is the main driver of the Group's revenue and is expected to remain so for the foreseeable future;
- Highly qualified teams with robust expertise which enables the software to be efficiently managed;
- It is a mature product with years of development, knowhow and expertise;
- The software is maintained on a continuous basis to ensure that it keeps up with the technical, technological and commercial changes;
- Industry and market demand are stable due to the increase in technological change in the payment processes field;
- The Company operates in a niche market with significant barriers to entry;
- The Company owns the intellectual property rights for the software and therefore there is no definite period of control over the asset; and
- The usage of the asset is not dependent on the useful life of assets of other companies.

The assessment of useful life of customer and other related contractual relationship is based on the following factors:

- The average churn rate of customers based on historical figures;
- The extent to which the churn rate is expected to fluctuate on particular market segments due to technological upgrades; and
- The company operates in a competitive market which brings about its own challenges and affects the churn rate, however there is also an element of loyalty towards existing integrations.

4.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

4.8 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are shown in the statement of financial position of the Company at cost less any impairment losses.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries to the extent that they represent a capital contribution.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred, except for costs to issue debt or equity instruments.

The excess of the consideration transferred; amount of any non-controlling interest in the acquired entity; and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss unless these represent changes that are the result of additional information obtained after the acquisition date about facts and circumstances that existed at the acquisition date and that qualify as measurement period adjustments.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT

4.10.1 INVESTMENTS IN SUBSIDIAIRES

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

4.10.2 NON-DERIVATIVE FINANCIAL ASSETS

4.10.2.1 EXPECTED CREDIT LOSSES

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost, as well as contract assets. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach and recognises lifetime ECL.

Where a collective basis is applied, the ECLs on these financial assets are estimated using the provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT (Continued)

4.10.2 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.10.2.1 EXPECTED CREDIT LOSSES (Continued)

For all other financial instruments, the Group uses the general approach and recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of default occurring since initial recognition, instead of evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in equity, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Group considers both the quantitative and the qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort and, where applicable, the financial position of the counterparties.

Forward-looking information considered includes, where applicable, the future prospects of the industries in which the Company's debtors operate, as well as consideration of various external sources of actual and forecasted economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT (Continued)

4.10.2 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.10.2.1 EXPECTED CREDIT LOSSES (Continued)

Despite the above assessment, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Accordingly, for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. The Group has applied the low credit risk assumption for cash at bank.

Definition of default

The Group considers the following scenarios to constitute an event of default for internal credit risk management purposes:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 120 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT (Continued)

4.10.2 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.10.2.1 EXPECTED CREDIT LOSSES (Continued)

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Measurement and recognition of ECLs

For financial assets, the credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. ECLs represent the weighted average of credit losses.

The assessment of the probability of default, and loss given default, is based on historical data adjusted by forward-looking information, where applicable.

Forward-looking information considered includes, where applicable, the future prospects of the industries in which the Company's debtors operate, as well as consideration for various external sources of actual and forecasted economic information that relate to the Company's core operations.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Company performs the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

Where the Company does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECLs on an individual instrument basis, lifetime ECLs are measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, such as the nature, size and industry.

4.10.3 NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT (Continued)

4.10.3 NON-FINANCIAL ASSETS (Continued)

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU).

Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss unless the asset is carried at a revalued amount. For assets recognised at a revalued amount, the impairment loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation recognised for that asset. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. In addition to this, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Group contributes towards the respective state pension defined contribution plan in accordance with local legislation, and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related services and non-market performance conditions at the vesting date.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. As at each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4.13 EMPLOYEE BENEFITS

Non-competition post-employment benefits due to employees holding senior management positions are payable upon cessation for whatever reason, based on either a fixed amount or the then applicable annual salary. The cost of providing for these post-employment benefits is determined using the projected unit method, with estimations being carried out at each reporting date. In line with the recognition of other provisions, the post-employment benefits are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The liability recognised in the statement of financial position represents the present value of the expected future payments required to settle the obligation at the end of the reporting period. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows to be paid on termination using market yields. Such yields are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the estimated termination date. The Directors consider this to be an appropriate proxy to a high-quality corporate bond. The service cost and the net interest on the net defined benefit liability are recognised in profit or loss. Re-measurements of the net defined benefit liability, are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Re-measurements may include changes in the present value of the defined benefit obligation arising from experience adjustments and the effects of changes in the actuarial assumptions. Such re-measurements are reflected immediately in retained earnings.

4.14 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
The unwinding of discount is recognised as a finance cost.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 WARRANTIES

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

4.16 REVENUE

Revenue is recognised when the Group or the Company satisfies a performance obligation by transferring control of a promised good or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

4.16.1 LICENSES

4.16.1.1 PERPETUAL LICENSES AND SIGNIFICANT CUSTOMISATION/ IMPLEMENTATION SERVICES

License fees arise from software license agreements where the Group grants non-exclusive licenses to use specific BankWORKS® modules. In the case of perpetual licenses, the fee is generally a one-time fee.

The Group accounts for individual products and services separately if they are distinct, that is, if a product or service is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract) and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct).

In accordance with IFRS 15, the Group is required to assess each arrangement to understand whether licenses are distinct from the significant implementation and customisation services provided with that license and from the other services provided. For the purposes of understanding whether the licenses are distinct, management is required to consider additional criteria including whether the customers can benefit from the use of the license alone or otherwise and whether there exist activities which require significant integration, modification or which are otherwise interdependent.

In this respect, management has assessed that in the majority of the Group's contracts, the license and the significant implementation and customisation services are to be considered as one performance obligation in terms of the above criteria.

The Group has determined that revenue from this performance obligation should be recognised provided the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment. In this case, in accordance with IFRS 15, revenue is recognised as each licensed system is customised and set up according to the customer's specific needs, by reference to the stage of satisfaction of the performance obligation.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.1 LICENSES (Continued)

4.16.1.1 PERPETUAL LICENSES AND SIGNIFICANT CUSTOMISATION/ IMPLEMENTATION SERVICES (Continued)

Payment for the license and the significant customisation services is generally fixed and is payable by the customer in advance by way of milestone payments. Any cash received in advance of the provision of the customisation services is therefore recognised as a contract liability, thus representing the entity's obligation to perform the obligation. Such amounts are recognised as revenue over the customisation period.

Such contracts are not deemed to be a significant financing component, as the period between the recognition of revenue under the stage of completion and the payment is less than one year.

Management has also considered IFRS 15's impact on contracts in which consideration for the promise is variable. For the license business, this is relevant for contracts in which the Group's consideration is based on a percentage of revenues that are earned by the client from its own customers. For this variable consideration, the Group concludes that it cannot include its estimate of such revenues in the transaction price until the uncertainty is resolved.

This is based on the fact that the variability of the fee based on the customer's own revenues indicates that the Group cannot conclude that it is highly probable that a significant reversal in the cumulative amount of revenue recognised would not occur. Accordingly, such estimates are not included before they are earned.

4.16.1.2 TERM LICENSE WITH THE PROVISION OF IMPLEMENTATION ACTIVITIES AND MANAGED SERVICES

The Group is party to a term license agreement with an option by the customer of acquiring the source code through an additional license for a longer term. The agreement also governs the provision by the Group of implementation activities at the inception of the contract and of managed services during the term of the agreement.

The Group accounts for individual products and services separately if they are distinct, that is, if a product or service is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract) and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct).

In accordance with IFRS 15, the Group assesses whether licenses are distinct from the significant implementation and customisation services provided with that license and from the other services provided. For the purposes of understanding whether the licenses are distinct, management considers additional criteria including whether the customers can benefit from the use of the license alone or otherwise and whether there exist activities which require significant integration, modification or which are otherwise interdependent. In this respect, management has assessed that the license and the significant implementation and customisation services are to be considered as one performance obligation in terms of the above criteria.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.1 LICENSES (Continued)

4.16.1.2 TERM LICENSE WITH THE PROVISION OF IMPLEMENTATION ACTIVITIES AND MANAGED SERVICES (Continued)

The Group recognises the related fee for customisation and implementation activities over the customisation period. This is established on the basis that the infrastructure is owned, managed and governed by the customer and is hosted on its own system and that by the time the customised software is live, the customer has already obtained and paid for that system, without having to pay an additional amount for such customisation and implementation activities such that upon the exercise of the option to acquire the additional license, the customer has the contractual right and the practical ability to perform the managed services itself.

The Group recognises the revenue attributable to the term license at a point in time, immediately upon each periodic renewal of the license agreement to the extent that the contract is either cancellable or to the extent that there is no history of enforcing contracts. The Group invoices the customer quarterly in advance, based on volume tiers which are trued-up annually.

The Group does not consider the customer's option to represent a material right that the customer would not receive without entering into that contract and accordingly the Group concludes that this option does not represent another performance obligation in the arrangement. Accordingly, the entire licence fee is being recognised in profit or loss as it arises, without any deferral. The uniqueness of the contract increases the element of judgement that is applied in this respect. This conclusion is based on the fact that the pricing of the option did not alter the pricing of the remaining components of the contract, the pricing of the option does not give rise to a discount for the licence being provided and the option was granted as security for continuity of service. Given that the contractual form of the exercise price of the option is a function of the cumulative licence fees paid by the customer prior to that option being exercised, the Group has projected the applicable exercise price during the option period based on its projections of the annual licence fees expected to be applicable to the customer on the basis of the expected volume of transactions. Based on the pricing of the exercise price, in conjunction with the additional costs (including employee costs for handling and managing the software) that would need to be incurred by the customer following the exercise of the option, the Group believes that the likelihood of the option being exercised is very low.

For managed services, refer to the accounting policy in 4.16.2.

4.16.2 SERVICES

The Group provides (a) transaction processing services; (b) maintenance services, such as ongoing support for BankWORKS®, software enhancements and software upgrades; and (c) other services, including change requests.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.2 SERVICES (Continued)

The agreements for the maintenance services and the other services are either entered into (i) at the same time with the sale of the license; or (ii) after the sale of the license, as part of a comprehensive package. Where the agreements are entered into at the same time with the sale of the license, the Group assesses whether such agreements need to be combined with the license contract for the purpose of IFRS 15.

The Group accounts for individual products and services separately if they are distinct, that is, if a product or service is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract) and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct).

Transaction processing is determined to be a performance obligation which is distinct from the corresponding implementation or customisation activities that are performed in advance of such transaction processing (see Note 4.16.2.1). Transaction processing services are regarded as a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer; the performance obligation is the fact that the Group needs to stand ready to perform, which obligation is satisfied over time. The consideration in respect of such services contains variable elements that are dependent on the volume of transactions processed, with a minimum monthly fee; management allocates the variable fees charged for each transaction to the time period in which the Group has the contractual right to bill the customer since such payments relate specifically to the Group's efforts to satisfy the performance obligation and allocating that amount entirely to that specific time period is consistent with the allocation objective in IFRS 15. The Group accordingly recognises the monthly billings to customers as revenue in the month of billing.

Maintenance services are generally billed quarterly or annually in advance. Regardless of whether the corresponding agreements for such services are entered into at the same time with the sale of the license, these services are determined to be distinct from the corresponding licenses under IFRS 15.

Revenues allocated to the maintenance services are recognised over time in accordance with IFRS 15, as the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs. The transaction price is recognised as a contract liability at the time of receipt.

Revenue from other additional services requested by the client outside the scope of the original contract, such as changes that are requested after the sale of the license and/or the period of customisation, are generally treated as a separate contract if the scope of the contract increases because of the addition of services that are distinct and the price charged is calculated at a man-rate per hour that reflects the standalone selling price of such additional services. This performance obligation is generally recognised over the period of such customisation.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.2 SERVICES (Continued)

Revenue from services provided in comprehensive packages continues to be recognised over time under IFRS 15 unless separate performance obligations are identified.

There should not be a significant financing component in relation to such services as the period between the recognition of revenue and the payment is always less than one year.

4.16.2.1 IMPLEMENTATION AND CUSTOMISATION FEES FOLLOWED BY TRANSACTION PROCESSING SERVICES

Where the Group receives a fee for customisation and implementation activities without the sale of a license, which are followed by transaction processing services, it assesses whether the fee relates to the transfer of a promised good or service.

Where the fee relates to an activity that the Group is required to undertake at or near contract inception to fulfil the contract and that activity does not result in the transfer of a promised good or service to the customer, the fee is treated as an advance payment for future goods or services and, therefore, is recognised as revenue when those future goods or services are provided.

Where the fee relates to a distinct performance obligation and that activity results in the transfer of a promised good or service to the customer, the related revenue is recognised over the customisation period. Determining whether the activity represents a distinct performance obligation and whether it results in a transfer of a promised good or service to the customer requires judgement.

This is based on the Group's conclusion that by the time the customised software is live, the customer has already obtained and paid for the right to have that software solution hosted elsewhere, without having to pay an additional amount for such customisation and implementation activities, subject to a migration fee as a separate service that is distinct and a penalty for the cancellation of future transaction processing services (which reduces with the number of remaining months) and without the requirement for a different service provider to pay for an additional license in this regard.

4.16.3 ACQUIRING BUSINESS

During 2020, the Group introduced new revenue streams following the acquisition of the POS terminal business. The acquiring business includes the sale and rental of payment terminals and associated maintenance services, including consultation, installation and repairs.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.3 ACQUIRING BUSINESS (Continued)

4.16.3.1 SALE OF TERMINALS AND TERMINAL EQUIPMENT

The Group enters into a sales contract or sales order with the customer, whereby the consideration for the terminals or terminal equipment being sold is determined. Simultaneously, the goods are shipped, the invoice is forwarded to the customer and the consideration is due immediately. The Group has determined that revenue from this performance obligation should therefore be recognised immediately provided that the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment.

4.16.3.2 MAINTENANCE OF TERMINALS AND TERMINAL EQUIPMENT

The Group enters into a maintenance contract with the customer, specifying the monthly maintenance fee and the relevant period. The monthly maintenance fee is due and payable on a monthly basis. The Group has determined that revenue from this performance obligation should therefore be recognised on a monthly basis in line with the applicable maintenance period provided that the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment.

The agreements for the maintenance services are generally entered into at the same time with the rental agreement, which defines all conditions and fees for the different services being provided. Where the agreements are entered into at the same time with the rental agreement, the Group assesses whether such agreements need to be combined with the rental contract for the purpose of IFRS 15.

4.16.3.3 FEES PER PROCESSED TRANSACTION

The Group also charges transaction fees depending on the type of terminal. The Group enters into a contract with the customer, specifying the transaction fee for the applicable period. The sum of the transaction fees due per month are aggregated and billed to the client. These are payable on a monthly basis. The Group has determined that revenue from this performance obligation should therefore be recognised on a monthly basis in line with the applicable maintenance period provided that the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.3 ACQUIRING BUSINESS (Continued)

4.16.3.4 FEES BASED ON OPERATED TRANSACTION VOLUME

The Group also earns revenue based on transaction volume processed by the customer terminals, both from Girocards and credit cards. In the case of the former, a commission is earned based on a percentage of the total transaction volume processed by Girocards. This commission is clearly defined in the contract the Group has with its customers. The Group has determined that revenue from this performance obligation should therefore be recognised on a monthly basis in line with the applicable period provided that the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment. In the case of revenue generated from transactions of credit cards, the Group has a contract directly with the acquirer, rather than the customer. The Group therefore receives a monthly commission from the profit generated by the acquirer from the Group's customers, based on transaction volume generated by credit cards.

The Group has determined that revenue from this performance obligation should therefore be recognised on a monthly basis in line with the applicable period provided that the criteria for the recognition of a contract are satisfied, including having an enforceable right to payment.

4.16.4 CONTRACT COSTS

Contract costs that are recognised as an asset are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses. An impairment reversal is recognised when the impairment conditions no longer exist or have improved but the increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract with a customer are recognised as an asset if the entity expects to recover those costs. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer.

Applying the practical expedient in paragraph 94 of IFRS 15, the Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.4 CONTRACT COSTS (Continued)

Costs to fulfil a contract

The costs incurred in fulfilling a contract with a customer that are not within the scope of another Standard are recognised as an asset only if (a) the costs relate directly to a contract or an anticipated contract that the entity can specifically identify; (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered.

4.16.5 CONTRACT MODIFICATIONS

A contract modification, such as changes that are requested after the sale of the license and/or the period of customisation, is accounted for as a separate contract if (a) the scope of the contract increases because of the addition of promised goods or services that are distinct; and (b) the price of the contract increases by an amount of consideration that reflects the entity's standalone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

For a contract modification that is not accounted for as a separate contract, the entity accounts for the promised goods or services not yet transferred at the date of the contract modification based on the specific facts and circumstances. A contract modification is accounted for as if it were a termination of the existing contract and the creation of a new contract if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. A contract modification is accounted for as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. If the remaining goods or services are partly distinct and partly not distinct, the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract are accounted for in a manner that is consistent with the objectives of IFRS 15.

4.16.6 ALLOCATION OF A DISCOUNT

Where a discount is provided, the Group and the Company allocate that discount entirely to one or more, but not all, performance obligations in the contract if the following criteria are met: (a) the entity regularly sells each distinct good or service (or each bundle of distinct goods or services) in the contract on a standalone basis; (b) the entity also regularly sells on a standalone basis a bundle (or bundles) of some of those distinct goods or services at a discount to the standalone selling prices of the goods or services in each bundle; and (c) the discount attributable to each bundle of goods or services is substantially the same as the discount in the contract and an analysis of the goods or services in each bundle provides observable evidence of the performance obligation (or performance obligations) to which the entire discount in the contract belongs. If these criteria are not met, the discount is allocated proportionately to all performance obligations in the contract.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.7 ALLOCATION OF VARIABLE CONSIDERATION

The Group and the Company allocate a variable amount (and subsequent changes to that amount) entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation if both of the following criteria are met: (a) the terms of a variable payment relate specifically to the entity's efforts to satisfy the performance obligation or transfer the distinct good or service (or to a specific outcome from satisfying the performance obligation or transferring the distinct good or service); and (b) allocating the variable amount of consideration entirely to the performance obligation or the distinct good or service is consistent with the allocation objective in IFRS 15 when considering all of the performance obligations and payment terms in the contract.

4.17 FINANCE INCOME AND COSTS

Finance income comprises interest income on bank balances, loans receivable, movements in provisions for non-operating exchange gains, finance income arising on measuring receivables at amortised cost using the effective interest rate method, gains on derivatives recognised in the profit or loss and finance income on the net investment in finance leases. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method as further described in the accounting policies for non-derivative financial assets.

Finance costs comprise interest expense on borrowings, interest on late payments, movements in provisions for non-operating exchange losses, and finance cost arising on measuring payables at amortised cost using the effective interest rate method recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition and construction of qualifying assets are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

4.18 GOVERNMENT GRANTS

Government grants are recognised as income over the periods necessary to match them to the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the period in which they become receivable. If a grant is compensation for expenses or losses already incurred, or for which there are no future related costs, it is recognised in profit or loss in the period in which is becomes receivable. A grant relating to income is deducted by the Group from the related expense.

Government grants are not recognised until there is reasonable assurance that the respective entity will comply with the conditions attaching to them and the grants will be received. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 INCOME TAX

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 the following temporary differences: 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, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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.

4.20 EARNINGS PER SHARE

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components. Operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.22 DIVIDENDS

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are recognised directly in equity.

4.23 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell, unless the measurement provisions of such assets and liabilities (such as financial assets within the scope of IFRS 9) are scoped out of IFRS 5. An impairment loss is recognised in profit or loss. Non-current assets are not depreciated (or amortised) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

5 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or liability, the Group uses observable market data whenever sufficient data is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuations techniques as follows:

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

5 DETERMINATION OF FAIR VALUES (Continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5.1 MEASUREMENT OF FAIR VALUES

5.1.1 OTHER INVESTMENT

Under IFRS 9, the other investment is classified as an equity instrument designated as at FVTOCI upon initial recognition.

The fair value measurement for 'Other investment' has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

As further disclosed in Note 12.2, management has expressed interest in disposing of the other investment in full, and hence, as at end of December 2020, the equity value reflects the offered selling price received by the Company which is deemed to be the fair value as it is priced to sell, with the fair value increase being recognised in other comprehensive income. An increase/(decrease) of 100 basis points in the equity value of this investment results in an increase/(decrease) of €2,962 in other comprehensive income. The fair value is not developed by the Company and accordingly the information about the significant unobservable inputs in the remainder of this note are in relation to the comparative year.

The fair value of the other investment as at 31 December 2019 is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Such fair values are based on unobservable inputs, being cash flow projections of the investee for a period of up to 5 years. Recent average inflation rates in the region of operations are used to determine the terminal growth rate used to extrapolate the terminal values whilst the discount rate encompasses the relevant market risk premium and the industry specific risk.

For the purpose of the 2019 valuation, the forecasted pre-tax net cash inflows range from €2.8m to €5.4m, with the discount rate used being 13.3%. For the 'Other investment', the Group and the Company are providing sensitivity analysis in connection with the key assumption applied. This analysis is prepared at the end of the reporting period and shows how the investment would be affected by such hypothetical changes in the assumptions that were reasonably possible at that date, while holding all other assumptions constant. The below sensitivity is for illustrative purposes only and may not be representative of the actual changes in the value of the investment. This is due to the fact that it is unlikely that a change in assumptions would occur in isolation of one another. The fair value of such investment was calculated using the discounted cash flow method which served as the basis to determine the equity value of this investment at the end of the reporting period.

5 DETERMINATION OF FAIR VALUES (Continued)

5.1 MEASUREMENT OF FAIR VALUES (Continued)

5.1.1 OTHER INVESTMENT (Continued)

- If the discount rate is 100 basis points higher/(lower) with all other assumptions held constant, the equity value of this investment decreases by €15,461 (increases by €17,919) in 2019. The higher the discount rate, the lower the fair value.

- If the revenue growth rate is 100 basis points higher/(lower) with all other assumptions held constant, the equity value of this investment increases by €12,653 (decreases by €10,866) in 2019. The higher the growth rate, the higher the fair value.

5.1.2 LOANS RECEIVABLE

The fair value of loans receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes and is categorised as Level 2 of the fair value hierarchy.

5.1.3 NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Such non-derivative financial liabilities entail bank borrowings, which have been categorised as Level 2 fair values.

5.1.4 DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of the interest rate swap is based on the banker's quote which comprises a present value of future cash flows discounted at the applicable year end discount rate. In this respect, derivatives have been categorised as Level 2 fair values.

5.1.5 SHARE-BASED PAYMENT TRANSACTIONS

The fair value of employee share options or awards, is measured using inputs that include the share price at measurement date, the exercise price of the instrument, if any, expected volatility (based on an evaluation of the Company's historic volatility) where appropriate, the life of the instrument, expected dividends to the extent applicable, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

For the cash-settled share-based payment, as further disclosed in Notes 10.8.2 and 29.3, for the current year, a management's expert has been engaged in order to assist in the valuation of the minority stake in the US subsidiary. In order to estimate the Enterprise Value of the subsidiary at 31 December 2020 and 31 December 2019, an income approach valuation methodology (using a discounted cash flow model) was applied, with the most significant input being the share price of the underlying US subsidiary, with inputs and sensitivities being largely in line with those identified in Note 29.3.

5 DETERMINATION OF FAIR VALUES (Continued)

5.1 MEASUREMENT OF FAIR VALUES (Continued)

5.1.5 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Expected dividends were not included in the fair value measurement since the individual is entitled to the rights of a shareholder, including the right to receive dividends from the date of grant of shares.

5.1.6 FINANCE LEASE RECEIVABLES

The fair value of the finance lease receivables is classified as Level 2 and was calculated using the discounted cash flow method using an appropriate discount rate.

5.2 FAIR VALUES VERSUS CARRYING AMOUNTS

The reported carrying amounts at the respective reporting dates of the Group's and Company's current financial instruments are a reasonable approximation of their fair values in view of their short-term maturities. Derivative financial instruments are carried at fair value.

The Group's and Company's carrying amounts of other financial assets and liabilities, other than the Company's investment in subsidiaries, in the statement of financial position are a reasonable approximation of their respective fair values.

6 FINANCIAL RISK MANAGEMENT

6.1 OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company's exposure to such risks is substantially similar to that of the Group unless otherwise stated.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.2 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

6.3 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers, finance lease receivables, loans receivable, contract assets, and cash held with financial institutions.

Specifically, the Group's exposure to credit risk arising from its trade receivables, is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk.

The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are classified according to their credit characteristics, geographic location and ageing profile. Trade receivables relate to the Group's customers to whom services are rendered.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.1 EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was as follows:

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current assets				
Amounts receivable from related parties	**796,631**	786,170	**3,099,629**	844,189
Finance lease receivables	**89,071**	-	**-**	-
	885,702	786,170	**3,099,629**	844,189
Current assets				
Trade and other receivables	**2,736,289**	4,189,260	**7,860,512**	2,948,605
Finance lease receivables	**41,443**	-	**-**	-
Loans and receivables from related parties	**910**	137,938	**1,135**	6,444
Accrued income and contract costs	**2,425,586**	2,613,500	**9,590,302**	5,058,359
Cash at bank	**6,817,075**	2,416,380	**1,535,884**	1,136,295
	12,021,303	9,357,078	**18,987,833**	9,149,703

The maximum exposure to credit risk for trade and other receivables, finance lease receivables, loans receivable, and accrued income, at the respective reporting dates by geographic region was as follows:

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current assets				
Europe	**885,702**	786,170	**3,046,631**	786,170
South America	**-**	-	**52,998**	58,019
	885,702	786,170	**3,099,629**	844,189
Current assets				
Europe	**3,291,189**	3,286,208	**4,941,299**	7,320,245
Middle East	**651,942**	467,726	**649,834**	452,056
South America	**165,342**	145,544	**-**	-
North America	**(48,065)**	1,645,253	**11,480,994**	-
Asia	**1,143,820**	1,395,967	**379,822**	241,107
	5,204,228	6,940,698	**17,451,949**	8,013,408

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.1 EXPOSURE TO CREDIT RISK (Continued)

In 2020, 65% (2019: 43%) of the Group's revenue is attributable to sales transactions with three (2019: two) major customers in the banking and payments industry as per Note 7.4. The below table shows the receivable balances together with accrued income due by these major customers as at 31 December 2020 and 2019 respectively.

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Amounts due from major customers	**1,402,597**	1,824,566	**1,402,597**	1,824,566

6.3.2 IMPAIRMENT LOSSES

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures and a collective provision where necessary, unless this is considered to be immaterial.

The ageing of loans receivable and trade and other receivables at the respective reporting dates was as follows:

	THE GROUP			
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
	2020	**2020**	2019	2019
	€	**€**	€	€
Not past due	**1,041,081**	**-**	3,492,126	-
31 days to 60 days	**1,141,438**	**-**	142,693	-
61 days to 90 days	**149,389**	**-**	(280,099)	-
Over 90 days	**1,421,544**	**89,108**	1,917,711	159,063
	3,753,452	**89,108**	5,272,431	159,063

Impairment losses on contract costs as at 31 December 2020 amounted to €1,045,586 (2019: €nil).

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

	THE COMPANY			
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
	2020	2020	2019	2019
	€	€	€	€
Not past due	**2,274,818**	**-**	675,978	-
31 days to 60 days	**1,071,781**	**-**	116,905	-
61 days to 90 days	**185,170**	**-**	263,243	-
Over 90 days	**7,459,507**	**30,000**	2,760,453	17,341
	10,991,276	**30,000**	3,816,579	17,341

The tables below detail, by credit risk rating grades, the gross carrying amount of financial assets.

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
Bank balances	€	€	€	€
External rating grades				
A+ - BBB -	**6,817,075**	2,416,380	**1,535,884**	1,136,295
Gross/net carrying amount at 31 December	**6,817,075**	2,416,380	**1,535,884**	1,136,295

The Group's cash is placed with reputable financial institutions with credit ratings of A+ and BBB- (2019: AA- and BBB-), such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Group.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
Finance lease receivables	€	€	€	€
Internal rating grades				
Performing*	**130,514**	-	**-**	-
Gross/net carrying amount at 31 December	**130,514**	-	**-**	-

	THE GROUP		THE COMPANY	
	2020	2019	2020	2019
Loans receivable	€	€	€	€
Internal rating grades				
Performing*	**797,541**	924,108	**3,100,764**	850,633
Gross/net carrying amount at 31 December	**797,541**	924,108	**3,100,764**	850,633

* The contracting party has a low risk of default and does not have any past due amounts (12 months ECL).

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

THE GROUP

31 December 2020	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors, contract assets and finance lease receivables	**Individual Impairments €**	**Collective Impairments €**	**Individual Impairments €**
Internal rating grades			
Not in default - simplified model applied	**1,402,597**	**5,113,030**	**-**
In default	**-**	**-**	**59,108**
Gross carrying amount at 31 December 2020	**1,402,597**	**5,113,030**	**59,108**
Loss allowance at 31 December 2020	**(1,000)**	**(42,000)**	**(59,108)**
Net carrying amount at 31 December 2020	**1,401,597**	**5,071,030**	**-**

Impairment losses on contract costs as at 31 December 2020 amounted to €1,045,586 (2019: €nil).

THE COMPANY

31 December 2020	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	**Individual Impairments €**	**Collective Impairments €**	**Individual Impairments €**
Internal rating grades			
Not in default - simplified model applied	**16,145,696**	**1,348,118**	**-**
In default	**-**	**-**	**-**
Gross carrying amount at 31 December 2020	**16,145,696**	**1,348,118**	**-**
Loss allowance at 31 December 2020	**(1,000)**	**(42,000)**	**-**
Net carrying amount at 31 December 2020	**16,144,696**	**1,306,118**	**-**

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

THE GROUP

31 December 2019	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	**Individual Impairments €**	**Collective Impairments €**	**Individual Impairments €**
Internal rating grades			
Not in default - simplified model applied	1,824,567	4,362,928	-
In default	-	-	147,064
Gross carrying amount at 31 December 2019	1,824,567	4,362,928	147,064
Loss allowance at 31 December 2019	(1,000)	(38,000)	(147,064)
Net carrying amount at 31 December 2019	1,823,567	4,324,928	-

THE COMPANY

31 December 2019	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	**Individual Impairments €**	**Collective Impairments €**	**Individual Impairments €**
Internal rating grades			
Not in default - simplified model applied	7,128,642	277,524	-
In default	-	-	5,341
Gross carrying amount at 31 December 2019	7,128,642	277,524	5,341
Loss allowance at 31 December 2019	(1,000)	(38,000)	(5,341)
Net carrying amount at 31 December 2019	7,127,642	239,524	-

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

Write-offs during the reporting period amounted to €111,354 (2019: €33,517) and €nil (2019: €33,517) for the Group and the Company, respectively. No reversals of write-offs happened during the year ended 31 December 2020 (2019: €nil).

THE GROUP

31 December 2020	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors, contract assets and finance lease receivables	Individual Impairments €	Collective Impairments €	Individual Impairments €
Opening balance at 1 January 2020	1,000	38,000	147,064
Movement during the year	-	4,000	(92,319)
Closing balance 31 December 2020	1,000	42,000	54,745

Impairment losses on contract costs as at 31 December 2020 amounted to €1,045,586 (2019: €nil).

THE COMPANY

31 December 2020	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	Individual Impairments €	Collective Impairments €	Individual Impairments €
Opening balance at 1 January 2020	1,000	38,000	5,341
Movement during the year	-	4,000	(5,341)
Closing balance 31 December 2020	1,000	42,000	-

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

THE GROUP

31 December 2019	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	Individual Impairments €	Collective Impairments €	Individual Impairments €
Opening balance at 1 January 2019	49,000	32,000	65,550
Movement during the year	(48,000)	6,000	81,514
Closing balance 31 December 2019	1,000	38,000	147,064

THE COMPANY

31 December 2019	LIFETIME ECL NOT-CREDIT IMPAIRED		LIFETIME ECL CREDIT IMPAIRED
Trade debtors and contract assets	Individual Impairments €	Collective Impairments €	Individual Impairments €
Opening balance at 1 January 2019	49,000	32,000	38,219
Movement during the year	(48,000)	6,000	(32,878)
Closing balance 31 December 2019	1,000	38,000	5,341

6 FINANCIAL RISK MANAGEMENT (Continued)

6.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations, which are associated with its financial liabilities that are settled by delivering cash or another financial asset, as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements on a regular basis and ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

31 December 2020	Carrying amount €	Contractual Cash flows €	12 months or less €	1 - 2 years €	2 - 5 years €	More than 5 years €
THE GROUP						
Secured bank loans	11,763,018	(11,885,992)	(10,192,771)	(535,560)	(1,157,661)	-
Interest rate swap	660	(564)	(564)	-	-	-
Accrued expenses	3,376,536	(3,376,536)	(3,376,536)	-	-	-
Trade and other payables	2,166,879	(2,166,879)	(2,166,879)	-	-	-
Post-employment benefits	4,073,688	(4,075,630)	(111,422)	-	(270,090)	(3,694,118)
Lease liabilities	2,277,846	(2,536,974)	(384,606)	(357,970)	(998,968)	(795,430)
	23,658,627	(24,042,575)	(16,232,778)	(893,530)	(2,426,719)	(4,489,548)
THE COMPANY						
Secured bank loans	11,763,018	(11,885,992)	(10,192,771)	(535,560)	(1,157,661)	-
Interest rate swap	660	(564)	(564)	-	-	-
Accrued expenses	1,577,322	(1,577,322)	(1,577,322)	-	-	-
Trade and other payables	1,984,010	(1,984,010)	(1,984,010)	-	-	-
Post-employment benefits	3,630,934	(3,632,875)	(111,422)	-	(270,090)	(3,251,363)
Lease liabilities	466,237	(602,404)	(28,409)	(28,409)	(122,157)	(423,429)
	19,422,181	(19,683,167)	(13,894,498)	(563,969)	(1,549,908)	(3,674,792)

6 FINANCIAL RISK MANAGEMENT (Continued)

6.4 LIQUIDITY RISK (Continued)

31 December 2019	Carrying amount €	Contractual Cash flows €	12 months or less €	1 - 2 years €	2 - 5 years €	More than 5 years €
THE GROUP						
Secured bank loans	3,979,458	(3,984,221)	(3,916,135)	(57,372)	(10,714)	-
Interest rate swap	9,497	(8,410)	(7,846)	(564)	-	-
Accrued expenses	1,813,532	(1,813,532)	(1,813,532)	-	-	-
Trade and other payables	1,704,397	(1,704,397)	(1,704,397)	-	-	-
Post-employment benefits	2,946,511	(2,749,648)	(528,746)	-	-	(2,220,902)
Lease liabilities	2,562,102	(2,880,987)	(422,813)	(339,539)	(888,706)	(1,229,929)
	13,015,497	(13,141,195)	(8,393,469)	(397,475)	(899,420)	(3,450,831)
THE COMPANY						
Secured bank loans	3,979,458	(3,984,221)	(3,916,135)	(57,372)	(10,714)	-
Interest rate swap	9,497	(8,410)	(7,846)	(564)	-	-
Accrued expenses	1,087,429	(1,087,429)	(1,087,429)	-	-	-
Trade and other payables	1,462,789	(1,462,789)	(1,462,789)	-	-	-
Post-employment benefits	2,363,471	(2,118,604)	(381,512)	-	-	(1,737,092)
Lease liabilities	493,155	(642,814)	(40,409)	(28,409)	(88,067)	(485,929)
	9,395,799	(9,304,267)	(6,896,120)	(86,345)	(98,781)	(2,223,021)

Further disclosures on liquidity risk are provided in Note 2.1.2.

6.5 MARKET RISK

Market risk is the risk that changes in market prices, namely foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.1 CURRENCY RISK (Continued)

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the Euro. The currencies in which these transactions are primarily denominated are USD, NZD and GBP.

The Group relies on natural hedges between inflows and outflows in currencies other than the Euro, and does not otherwise hedge against exchange gains or losses which may arise on the realisation of amounts receivable and settlement of amounts payable in foreign currencies.

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

2020

	NZD	SGD	PHP	USD	JOD	BRL	GBP	CAD
THE GROUP								
Trade receivables	**1,120,327**	**-**	**276,059**	**621,161**	**-**	**-**	**151,585**	**-**
Accrued income	**148,051**	**-**	**-**	**642,241**	**-**	**-**	**875,784**	**-**
Cash at bank	**1,458**	**-**	**5,224,837**	**5,331,981**	**-**	**112,733**	**91,516**	**432**
Trade payables	**-**	**-**	**(542,272)**	**(287,428)**	**(60)**	**(14,720)**	**(463)**	**-**
Deferred income	**(60,342)**	**-**	**-**	**(175,392)**	**-**	**-**	**(424,816)**	**(2,000)**
Gross statement of financial position exposure	**1,209,494**	**-**	**4,958,624**	**6,132,563**	**(60)**	**98,013**	**693,606**	**(1,568)**
THE COMPANY								
Trade receivables	**-**	**-**	**-**	**6,177,245**	**-**	**-**	**151,585**	**-**
Accrued income	**-**	**-**	**-**	**3,839,727**	**-**	**-**	**875,784**	**-**
Cash at bank	**-**	**-**	**-**	**10,930**	**-**	**-**	**87,220**	**-**
Trade payables	**-**	**-**	**125,000**	**(71,694)**	**(60)**	**-**	**(463)**	**-**
Deferred income	**-**	**-**	**-**	**(159,208)**	**-**	**-**	**(424,816)**	**-**
Gross statement of financial position exposure	**-**	**-**	**125,000**	**9,797,000**	**(60)**	**-**	**689,310**	**-**

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.1 CURRENCY RISK (Continued)

2019

	NZD	SGD	PHP	USD	JOD	BRL	GBP	CAD
THE GROUP								
Trade receivables	249,419	-	18,067,910	2,094,578	-	198,194	894,417	38,626
Accrued income	218,476	-	-	514,290	-	-	257,035	-
Cash at bank	100	-	177,346	1,189,299	-	7,461	92,147	432
Trade payables	-	(7,811)	(619,703)	(250,835)	(2,441)	(13,894)	(2,220)	-
Deferred income	(42)	-	-	(275,925)	-	-	(427,016)	(2,000)
Gross statement of financial position exposure	467,953	(7,811)	17,625,553	3,271,407	(2,441)	191,761	814,363	37,058
THE COMPANY								
Trade receivables	-	-	-	779,813	-	13,894	723,417	-
Accrued income	-	-	-	2,600,062	-	-	257,035	-
Cash at bank	-	-	-	268,811	-	-	46,187	-
Trade payables	-	-	(138,645)	(142,533)	(2,441)	-	(2,220)	-
Deferred income	-	-	-	(185,214)	-	-	(427,016)	-
Gross statement of financial position exposure	-	-	(138,645)	3,320,939	(2,441)	13,894	597,403	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
NZD 1	**0.5694**	0.5883	**0.5888**	0.6005
SGD 1	**0.6352**	0.6548	**0.6166**	0.6618
PHP 1	**0.0177**	0.0172	**0.0169**	0.0176
USD 1	**0.8755**	0.8933	**0.8149**	0.8902
JOD 1	**1.2351**	1.2595	**1.1546**	1.2564
BRL 1	**0.1697**	0.2266	**0.1569**	0.2214
GBP 1	**1.1240**	1.1392	**1.1123**	1.1754
CAD 1	**0.6536**	0.6732	**0.6397**	0.6850

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.1 CURRENCY RISK (Continued)

SENSITIVITY ANALYSIS

A 10 percent strengthening of the Euro against the following currencies as at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

	THE GROUP		THE COMPANY	
	Equity €	Profit or loss €	Equity €	Profit or loss €
31 December 2020				
NZD	**(1,547,488)**	**(1,547,488)**	**-**	**-**
SGD	**-**	**-**	**-**	**-**
USD	**(499,761)**	**(499,761)**	**(798,386)**	**(798,386)**
JOD	**7**	**7**	**7**	**7**
BRL	**(1,538)**	**(1,538)**	**-**	**-**
PHP	**(8,387)**	**(8,387)**	**(211)**	**(211)**
GBP	**(77,151)**	**(77,151)**	**(76,673)**	**(76,673)**
CAD	**1,693**	**1,693**	**-**	**-**
31 December 2019				
NZD	(576,208)	(576,208)	-	-
SGD	517	517	517	517
USD	(291,206)	(291,206)	(295,615)	(295,615)
JOD	307	307	307	307
BRL	(4,243)	(4,243)	(295)	(295)
PHP	(30,976)	(30,976)	244	244
GBP	(95,717)	(95,717)	(70,217)	(70,217)
CAD	(34,122)	(34,122)	-	-

A 10 percent weakening of the Euro against the above currencies as at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.2 INTEREST RATE RISK

The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Lending Base Rate. The Group has entered into an interest rate swap for the purpose of hedging the risk of changes in cash flows related to interest payments on one of its facilities.

Interest on certain loans receivable, bank borrowings and cash at bank are also tested for interest rate risk.

6.5.2.1 PROFILE

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	THE GROUP		THE COMPANY	
	2020 €	2019 €	2020 €	2019 €
Fixed rate instruments				
Financial assets	**796,631**	786,170	**796,631**	786,170
Variable rate instruments				
Financial assets	**6,817,079**	2,416,380	**3,785,887**	1,136,295
Financial liabilities	**(11,763,679)**	(3,988,955)	**(11,763,679)**	(3,988,955)
	(4,946,600)	(1,572,575)	**(7,977,792)**	(2,852,660)

6.5.2.2 INTEREST RATE RISK

The Group is exposed to interest rate risk on its financial instruments arising from movements in the Bank's 3-month euribor rate. Part of this interest rate risk exposure is hedged through the use of an interest rate swap.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.2 INTEREST RATE RISK (Continued)

6.5.2.3 CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

A change of 100 basis points in interest rates at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

THE GROUP

	Profit or loss		Equity	
	100 bp increase €	100 bp decrease €	100 bp increase €	100 bp decrease €
31 December 2020				
Variable rate instruments	**(49,268)**	**49,459**	**(49,268)**	**49,459**
31 December 2019				
Variable rate instruments	(12,770)	22,018	(12,770)	22,018

THE COMPANY

	Profit or loss		Equity	
	100 bp increase €	100 bp decrease €	100 bp increase €	100 bp decrease €
31 December 2020				
Variable rate instruments	**(102,080)**	**102,271**	**(102,080)**	**102,271**
31 December 2019				
Variable rate instruments	(25,571)	9,179	(25,571)	9,179

6 FINANCIAL RISK MANAGEMENT (Continued)

6.5 MARKET RISK (Continued)

6.5.3 EQUITY PRICE RISK

The Group is exposed to equity risks arising from equity investments classified at FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments.

This exposure is not considered to be material. As further disclosed in Note 12.2, management has expressed interest in disposing of all the other investment, and hence, as at end of December 2020, the equity value has been adjusted with the offered selling price, with the gain in fair value of investment in equity instruments being taken to Other Comprehensive Income.

6.6 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The capital structure consists of debt and items presented within equity in the statement of financial position. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. The Board of Directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions.

The capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company balances its overall capital structure through the payments of dividends, new share issues, as well as the issue of new debt or the redemption of existing debt. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

7 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which represent the Group's business units. The business units offer different services and are managed separately because they require different operating and marketing strategies. For each of the business units, the Group's Board of Directors reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- ***Software (License) Solutions*** Licensing of the Group's BankWORKS® software to banks and service providers, including maintenance and enhanced services thereto.
- ***Processing Solutions*** Processing of payment transactions utilising the Group's BankWORKS® software.
- ***Merchant Solutions*** includes issuing and acquiring payment solutions directly to merchants, including terminal and PSP gateway services. This segment did not meet the quantitative thresholds for reportable segments in 2019.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

7 OPERATING SEGMENTS (Continued)

7.1 INFORMATION ABOUT REPORTABLE SEGMENTS

Year ended 31 December 2020	Software (License) Solutions	Processing Solutions	Merchant Solutions	Total
	€	€	€	€
External revenues	11,903,028	12,718,241	2,005,110	26,626,379
Inter-segment revenues	7,244,007	-	187,344	7,431,351
Segment revenues	19,147,035	12,718,241	2,192,454	34,057,730
Finance income	90,423	157	19,928	110,508
Finance expense	(401,336)	(38,546)	(62,545)	(502,427)
Depreciation and amortisation	(1,657,102)	(566,143)	(113,578)	(2,336,823)
Movement in provision for impairment loss on receivables	(3,086)	(1,093,261)	-	(1,096,347)
Movement in amounts written off	-	(111,354)	-	(111,354)
Reportable segment profit/(loss) before income tax	6,010,754	(5,293,959)	(934,688)	(217,893)
Income tax expense/credit	(2,169,583)	75,688	27,340	(2,066,555)
Reportable segment assets	52,684,812	16,497,630	4,087,315	73,269,757
Capital expenditure	137,565	42,604	109,907	290,076
Reportable segment liabilities	28,089,044	20,397,520	2,780,937	51,267,501

7 OPERATING SEGMENTS (Continued)

7.1 INFORMATION ABOUT REPORTABLE SEGMENTS (Continued)

Year ended 31 December 2019	Software (License) Solutions	Processing Solutions	Total Reportable Segments	All Other Segments	Total
	€	€	€	€	€
External revenues	13,569,801	8,529,920	22,099,721	-	22,099,721
Inter-segment revenues	5,274,336	675,758	5,950,094	-	5,950,094
Segment revenues	18,844,137	9,205,678	28,049,815	-	28,049,815
Finance income	57,038	329	57,367	-	57,367
Finance expense	(146,760)	(32,566)	(179,326)	-	(179,326)
Depreciation and amortisation	(1,579,380)	(363,350)	(1,942,730)	-	(1,942,730)
Movement in provision for impairment loss on receivables	74,877	(114,391)	(39,514)	-	(39,514)
Movement in amounts written off	(33,517)	-	(33,517)	-	(33,517)
Reportable segment profit/(loss) before income tax	1,904,754	(4,044,747)	(2,139,993)	(121,926)	(2,261,919)
Income tax expense	(968,554)	(120,270)	(1,088,824)	-	(1,088,824)
Reportable segment assets	28,888,780	10,996,451	39,885,231	181,319	40,066,550
Capital expenditure	151,582	306,311	457,893	-	457,893
Reportable segment liabilities	15,872,882	10,191,856	26,064,738	128,245	26,192,983

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

7 OPERATING SEGMENTS (Continued)

7.2 RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES, AND OTHER MATERIAL ITEMS

	2020 €	2019 €
External Revenues		
Total revenue for reportable segments	**34,057,730**	28,049,815
Elimination of inter-segment transactions	**(7,244,008)**	(5,950,094)
Consolidated revenue	**26,813,722**	22,099,721
Finance income		
Total finance income for reportable segments	**110,508**	57,367
Elimination of inter-segment transactions	**(69,900)**	(26,243)
Consolidated finance income	**40,608**	31,124
Finance expense		
Total finance expense for reportable segments	**502,427**	179,326
Elimination of inter-segment transactions	**(20,879)**	(27,681)
Consolidated finance expense	**481,548**	151,645
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	**2,336,823**	1,942,730
Elimination of inter-segment transactions	**(292,525)**	(146,665)
Consolidated depreciation and amortisation	**2,044,298**	1,796,065
Loss before income tax		
Total loss before income tax for reportable segments	**(217,893)**	(2,139,993)
Loss before income tax for other segments	**-**	(121,926)
Elimination of inter-segment transactions	**(3,670,970)**	146,663
Consolidated reportable segment loss before tax	**(3,888,863)**	(2,115,256)
Assets		
Total assets for reportable segments	**73,269,757**	39,885,231
Assets for other segments	**-**	181,319
Elimination of computer software	**(2,766,160)**	(1,210,003)
Elimination of contract assets	**(23,336,300)**	(6,041,322)
Elimination of other inter-segment assets	**(9,082,105)**	(1,003,170)
Consolidated total assets	**38,085,192**	31,812,055
Liabilities		
Total liabilities for reportable segments	**51,267,501**	26,064,738
Liabilities for other segments	**-**	128,245
Elimination of inter-segment balances	**(11,882,760)**	(2,398,367)
Elimination of inter-segment accruals	**(8,825,773)**	(5,762,218)
Elimination of other inter-segment liabilities	**456,114**	(305,521)
Consolidated total liabilities	**31,015,082**	17,726,877

Assets allocated to reportable segments exclude the BankWORKS® license held by RS2 Smart Processing Limited and RS2 Software INC. and any contract assets recognised in relation to services provided between the three segments. Likewise, the Group liabilities exclude accruals, inter-segment balances and inter-segment liabilities.

7 OPERATING SEGMENTS (Continued)

7.3 GEOGRAPHICAL INFORMATION

In presenting information for the Group on the basis of geographical segments, revenue is based on the geographical location of its customers. The following non-current segment assets are based on the geographical location of the assets and exclude financial instruments.

	Revenues €	Non-current assets €
Year ended 31 December 2020		
Malta	**145,484**	**12,801,135**
UK and Ireland	**11,135,826**	**-**
USA	**8,869,527**	**6,876,332**
Other countries	**6,662,885**	**4,197,621**
	26,813,722	**23,875,088**
Year ended 31 December 2019		
Malta	130,527	14,160,515
UK and Ireland	11,737,177	-
USA	4,827,587	4,129,854
Other countries	5,404,430	2,444,757
	22,099,721	20,735,126

Other countries comprise revenue based on geographical location of customers, which individually are immaterial and do not exceed 10% of total revenue.

7.4 MAJOR CUSTOMERS

For the year ended 31 December 2020, revenues from three (2019: two) major customers of the licensing and processing segments amounted to €4,424,291, €4,501,673 and €8,613,497 respectively (2019: €4,479,595 and €5,052,542 respectively) of the Group's total revenues.

8 PROPERTY, PLANT AND EQUIPMENT

8.1 THE GROUP

	Land and buildings €	Leasehold improvements €	Equipment, furniture and fittings €	Motor vehicles €	Terminals €	Total €
Cost						
Balance at 1 January 2019	7,928,546	1,402,744	4,262,254	197,314	-	13,790,858
Additions	48,621	-	409,272	-	-	457,893
Impairment of asset	-	-	(736)	-	-	(736)
Effects of movement in exchange rates	-	1,301	17,690	1,258	-	20,249
Balance at 31 December 2019	7,977,167	1,404,045	4,688,480	198,572	-	14,268,264
Balance at 1 January 2020	7,977,167	1,404,045	4,688,480	198,572	-	14,268,264
Additions from acquisitions	-	-	5,475	29,600	5,285	40,360
Additions	-	-	187,306	-	9,639	196,945
Transfer from RoU assets	-	-	-	-	17,108	17,108
Disposals	-	-	(1,722)	-	-	(1,722)
Impairment of asset	-	-	(378)	-	-	(378)
Effects of movement in exchange rates	-	(917)	(84,889)	(886)	-	(86,692)
Balance at 31 December 2020	7,977,167	1,403,128	4,794,272	227,286	32,032	14,433,885
Depreciation						
Balance at 1 January 2019	1,139,983	228,282	2,921,275	143,808	-	4,433,348
Depreciation for the year	104,068	69,991	420,639	18,291	-	612,989
Impairment of asset	-	-	(411)	-	-	(411)
Effects of movement in exchange rates	-	744	8,037	631	-	9,412
Balance at 31 December 2019	1,244,051	299,017	3,349,540	162,730	-	5,055,338
Balance at 1 January 2020	1,244,051	299,017	3,349,540	162,730	-	5,055,338
Depreciation for the year	102,464	63,516	425,326	32,509	2,873	626,688
Disposals	-	-	(627)	-	-	(627)
Effects of movement in exchange rates	-	(910)	(48,178)	(765)	-	(49,853)
Balance at 31 December 2020	1,346,515	361,623	3,726,061	194,474	2,873	5,631,546
Carrying amounts						
At 1 January 2019	6,788,563	1,174,462	1,340,979	53,506	-	9,357,510
At 31 December 2019	6,733,116	1,105,028	1,338,940	35,842	-	9,212,926
At 31 December 2020	**6,630,652**	**1,041,505**	**1,068,211**	**32,812**	**29,159**	**8,802,339**

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.2 THE COMPANY

	Land and buildings €	Leasehold improvements €	Equipment, furniture and fittings €	Motor vehicles €	Total €
Cost					
Balance at 1 January 2019	7,928,547	1,330,722	2,425,350	175,034	11,859,653
Additions	48,621	–	102,962	–	151,583
Balance at 31 December 2019	7,977,168	1,330,722	2,528,312	175,034	12,011,236
Balance at 1 January 2020	7,977,168	1,330,722	2,528,312	175,034	12,011,236
Additions	–	–	106,415	–	106,415
Balance at 31 December 2020	7,977,168	1,330,722	2,634,727	175,034	12,117,651
Depreciation					
Balance at 1 January 2019	1,131,731	219,582	2,004,900	134,215	3,490,428
Depreciation for the year	104,068	56,185	201,710	13,608	375,571
Balance at 31 December 2019	1,235,799	275,767	2,206,610	147,823	3,865,999
Balance at 1 January 2020	1,235,799	275,767	2,206,610	147,823	3,865,999
Depreciation for the year	102,464	56,375	166,910	13,608	339,357
Balance at 31 December 2020	1,338,263	332,142	2,373,520	161,431	4,205,356
Carrying amounts					
At 1 January 2019	6,796,816	1,111,140	420,450	40,819	8,369,225
At 31 December 2019	6,741,369	1,054,955	321,702	27,211	8,145,237
At 31 December 2020	**6,638,905**	**998,580**	**261,207**	**13,603**	**7,912,295**

9 LEASES

9.1 THE GROUP AS A LESSEE

This note provides information about lease agreements for which the Group is a lessee during 2020. These include:

9.1.1 LEASED PREMISES GOZO

An agreement for leased premises at Imġarr Road, Xewkija, Gozo under a deed with the Government of Malta. The lease is for a twenty five-year term, lasting until April 2039 with the option to terminate the concession only in case of specific reasons which hinder the Company's operations. Upon expiration of the emphyteutical grant, the emphyteutical site and any improvements thereon shall devolve on the Government without any obligation on the latter to compensate the Company.

9.1.2 MANAGED HOSTING SERVICES AND PRIVATE CLOUD INFRASTRUCTURE

An agreement with a computer hardware company to lease a server in relation to a combination of managed hosting services and a private cloud infrastructure. The agreement was for a three-year period commencing in September 2012. This was renewed in September 2015 and again in September 2018. It expired in April 2019 and was not renewed again.

9.1.3 LEASED OFFICES USA

An agreement for leased offices in Denver, USA. The lease is for a five-year term, commencing during 2016, lasting until March 2021 with an option for the lessee to renew for a further five-year term and to terminate subject to a notice in writing provided that the conditions of the contract agreement are satisfied.

9.1.4 LEASED OFFICES PHILIPPINES

An agreement for leased offices in Manila, Philippines. The lease was for a three-year period commencing during June 2016, and was subsequently renewed in June 2019 for another five-year term, lasting until June 2024. The renewal of this lease has been treated as a new lease in accordance with IFRS 16. The agreement includes an option to renew the lease term provided that both parties mutually agree on the new contract provisions. The lease may not be terminated prior to the lease termination date; however in so doing the lessee will be liable to penalties.

9.1.5 LEASED APARTMENT MALTA

An agreement for a leased apartment in Mosta, Malta. The lease was for a two-year period commencing during June 2017, and was subsequently renewed in June 2019 for another two-year term. This was however, terminated earlier than expected during the first quarter of 2021. The renewal of this lease has been treated as a new lease in accordance with IFRS 16. This agreement includes an option to renew or extend the lease term provided that both parties mutually agree. The lease can be terminated provided that the lessee gives one month's notice.

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.6 LEASED OFFICES GERMANY

An agreement for leased offices in Neu-Isenburg, Germany. The lease is for a ten-year term, lasting until December 2028 with an extension clause that stipulates that if the tenancy is not terminated by either party at least six months before the end date, this is renewed again for a further five-year term. Accordingly, the enforceable period of this lease (and the lease term) is 10 years. This agreement was entered into on 1 January 2019.

An agreement for leased offices in Reinsdorf, Germany. At acquisition date, the remaining period of the lease was of 6 months until June 2020 with an extension clause that stipulates that if the tenancy is not terminated by either party at least 3 months before the end date, this is renewed for a further one-year term. Accordingly, the remaining period of this lease is of 6 months as at 31 December 2020.

9.1.7 LEASED CARS IN GERMANY

Different agreements for leased cars in Germany. The leases are for a three-year term, ending between August 2022 and June 2023. The enforceable period of this lease (and the lease term) is 3 years. These agreements were entered into at different points in time between August 2019 and June 2020. The lease rate is based on driven kilometres (20k-30k) per annum.

9.1.8 PRACTICAL EXPEDIENT

Upon adoption of IFRS 16, the Group applied the practical expedient applicable to short-term leases in paragraph 6 of IFRS 16 for the agreement which the Group was party with a computer hardware company to lease a server in relation to a combination of managed hosting services and a private cloud infrastructure. No ROU asset had therefore been recognised by the Group for this lease up to 31 December 2019.

As further disclosed in Note 11.12, upon acquisition of Kalicom Zahlungssysteme GmbH (renamed to RS2 Zahlungssysteme GmbH) on 1 January 2020, the Group acquired 400 terminals which had lease terms expiring during the current reporting period. At the end of the lease terms, the legal ownership was transferred to RS2 Zahlungssysteme GmbH and therefore these terminals were reclassified from ROU assets to Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.8 PRACTICAL EXPEDIENT (Continued)

The following table presents the carrying amounts of the Group's and the Company's ROU assets recognised and the movements during the period:

THE GROUP	Land and buildings €	Cars €	Terminals €	Total €
Balance at 1 January 2019	761,057	-	-	761,057
Depreciation charge for the year	(391,093)	-	-	(391,093)
Additions to right-of-use assets	2,190,807	-	-	2,190,807
Balance at 31 December 2019	2,560,771	-	-	2,560,771
Balance at 1 January 2020	**2,560,771**	**-**	**-**	**2,560,771**
Additions from acquisitions	**-**	**-**	**51,341**	**51,341**
Depreciation charge for the year	**(403,460)**	**(40,615)**	**(34,233)**	**(478,308)**
Additions to right-of-use assets	**-**	**124,018**	**-**	**124,018**
Transfer to Property, Plant and Equipment	**-**	**-**	**(17,108)**	**(17,108)**
Effects of movement in exchange rates	**4,468**	**-**	**-**	**4,468**
Balance at 31 December 2020	**2,161,779**	**83,403**	**-**	**2,245,182**

THE COMPANY	Land and buildings €	Total €
Balance at 1 January 2019	504,357	504,357
Depreciation charge for the year	(35,742)	(35,742)
Additions to right-of-use assets	28,505	28,505
Balance at 31 December 2019	497,120	497,120
Balance at 1 January 2020	**497,120**	**497,120**
Depreciation charge for the year	**(36,578)**	**(36,578)**
Balance at 31 December 2020	**460,542**	**460,542**

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.8 PRACTICAL EXPEDIENT (Continued)

The following table presents the carrying amounts of the Group's and the Company's lease liabilities and the movements during the period:

THE GROUP	Land and buildings €	Cars €	Terminals €	Total €
Balance at 1 January 2019	731,505	-	-	731,505
Additions	2,190,807	-	-	2,190,807
Accretion of interest	66,569	-	-	66,569
Payments	(426,779)	-	-	(426,779)
Balance at 31 December 2019	2,562,102	-	-	2,562,102
Balance at 1 January 2020	**2,562,102**	**-**	**-**	**2,562,102**
Additions from acquisitions	**-**	**-**	**47,341**	**47,341**
Additions	**-**	**124,018**	**-**	**124,018**
Accretion of interest	**60,994**	**2,567**	**539**	**64,100**
Payments	**(429,274)**	**(42,561)**	**(47,880)**	**(519,715)**
Balance at 31 December 2020	**2,193,822**	**84,024**	**-**	**2,277,846**

THE COMPANY	Land and buildings €	Total €
Balance at 1 January 2019	495,748	495,748
Additions	28,505	28,505
Accretion of interest	13,912	13,912
Payments	(45,010)	(45,010)
Balance at 31 December 2019	493,155	493,155
Balance at 1 January 2020	**493,155**	**493,155**
Accretion of interest	**13,551**	**13,551**
Payments	**(40,469)**	**(40,469)**
Balance at 31 December 2020	**466,237**	**466,237**

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.8 PRACTICAL EXPEDIENT (Continued)

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Current	**333,149**	363,773	**15,420**	26,922
Non-current	**1,944,697**	2,198,329	**450,817**	466,233

The maturity analysis of lease liabilities is disclosed in Note 6.4.

The following are the amounts recognised in profit or loss for financial years ended 31 December:

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Depreciation expense	**478,306**	391,093	**36,578**	35,742
Interest expense on lease liabilities	**64,100**	66,569	**13,551**	13,912
Expenses relating to short-term leases	**-**	163,879	**-**	-
	542,406	621,541	**50,129**	49,654

The total cash outflow for leases amounted to €519,715 and €40,469 (2019: €426,779 and €45,010) for the Group and the Company, respectively.

The variable lease payments with respect to the lease on cars held by the Group were not material as at 31 December 2020 and 2019. No variable lease payments exist as at 31 December 2020 and 2019 with respect to the leases held by the Company.

No residual value guarantees apply with respect to the leases held by the Group and the Company as at 31 December 2020 and 2019.

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR

9.2.1 OPERATING LEASE ARRANGEMENTS

Operating leases, in which the Group is the lessor, relate to:

a) rental of a small number of POS terminals owned by the Group which are not of a specialised nature with lease terms of less than three (3) years. During this lease term, the customers cannot terminate the contract without paying a penalty for early termination; and

b) rental of POS terminals to taxi drivers in Berlin. The lease agreement with taxi drivers do not have any specific lease term. The terminals are not of a specialised nature and taxi drivers may choose to obtain POS terminals from other suppliers. In addition, the lessee may choose to cancel the contract without incurring penalties, providing three month's notice. The option to extend or renew the contract is considered to be highly unlikely due to other available (possibly simpler) options for taxi drivers. The lessee does not have an option to purchase the terminals at the expiry of the lease period.

Maturity analysis of operating lease receipts:

THE GROUP	2020 €	2019 €
Within 1 year	15,697	-
Between 1 and 2 years	2,032	-
Between 2 and 3 years	-	-
Total	17,729	-

The following table presents the amounts reported in profit or loss:

THE GROUP	2020 €	2019 €
Lease income on operating leases	60,335	-
Depreciation charge for the year	(37,105)	-
Total	23,230	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR (Continued)

9.2.2 FINANCE LEASE RECEIVABLES

THE GROUP	Total €
Additions on business combination on 1 January 2020	80,294
Additions during the year	79,535
Release of receivables during the year	(49,243)
Unwinding of interest	19,928
Balance at 31 December 2020	130,514

THE GROUP	2020 €	2019 €
Amounts receivable under finance leases:		
Within 1 year	63,468	-
Between 1 and 2 years	58,913	-
Between 2 and 3 years	41,073	-
Between 3 and 4 years	17,232	-
More than 4 years	13,840	-
Undiscounted lease payments	194,526	-
Less unearned finance income	(64,012)	-
Present value of lease payments receivable	130,514	-
Impairment loss allowance	-	-
Net investment in the lease	130,514	-
Undiscounted lease payments analysed as:		
Recoverable within 12 months	63,468	-
Recoverable after 12 months	131,058	-
	194,526	-
Net investment in the lease analysed as:		
Recoverable within 12 months	41,443	-
Recoverable after 12 months	89,071	-
	130,514	-

During the year, the finance lease receivables increased as a result of the acquisition of 100% of the issued share capital of Kalicom Zahlungssysteme GmbH (recently renamed to RS2 Zahlungssysteme GmbH) by RS2 Group (RS2 Holding Europe GmbH).

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR (Continued)

9.2.2 FINANCE LEASE RECEIVABLES (Continued)

The Group entered into finance leasing arrangements as a lessor through rental of POS terminals owned by the Group with customers. The duration of the rental contract differs from one customer to another, however the average term of the finance leases entered into is four (4) years. During this rental period, the customer cannot terminate the contract without paying a penalty for early termination. Ownership of the terminal is not transferred to the customer at the end of the contract term.

The Group determined that for those contracts having a remaining life of three (3) years or more, and therefore equal or longer than 75% of the economic life of the terminals, the lessor has a finance lease, even though the title is not transferred.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in Euro.

Residual value risk on terminals under lease is not significant, because of the existence of a secondary market with respect to the asset.

The following table presents the amounts included in profit or loss:

THE GROUP	2020 €	2019 €
Finance income on the net investment in finance leases	**19,928**	-

The Group's finance lease arrangements do not include variable payments.

The average effective interest rate contracted approximates 24 per cent (24%) per annum.

None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the management of the Group consider that no finance lease receivable is impaired.

10 INTANGIBLE ASSETS AND GOODWILL

10.1 THE GROUP

	Goodwill €	Internally generated computer software €	Software rights €	Other computer software €	Customer and other related contractual relationship €	Total €
Cost						
Balance at 1 January 2019	650,528	16,012,177	3,000,000	719,212	-	20,381,917
Additions	-	2,223,615	-	-	-	2,223,615
Effects of movement in exchange rates	12,509	-	-	13,829	-	26,338
Balance at 31 December 2019	663,037	18,235,792	3,000,000	733,041	-	22,631,870
Balance at 1 January 2020	663,037	18,235,792	3,000,000	733,041	-	22,631,870
Additions	1,262,715	2,637,430	-	145,800	594,309	4,640,254
Effects of movement in exchange rates	(56,032)	283,168	-	(61,948)	-	165,188
Balance at 31 December 2020	1,869,720	21,156,390	3,000,000	816,893	594,309	27,437,312
Amortisation						
Balance at 1 January 2019	-	11,453,458	1,425,000	-	-	12,878,458
Charge for the year	-	591,983	200,000	-	-	791,983
Balance at 31 December 2019	-	12,045,441	1,625,000	-	-	13,670,441
Balance at 1 January 2020	-	12,045,441	1,625,000	-	-	13,670,441
Charge for the year	-	688,157	200,000	1,621	49,526	939,304
Balance at 31 December 2020	-	12,733,598	1,825,000	1,621	49,526	14,609,745
Carrying amounts						
At 1 January 2019	650,528	4,558,719	1,575,000	719,212	-	7,503,459
At 31 December 2019	663,037	6,190,351	1,375,000	733,041	-	8,961,429
At 31 December 2020	**1,869,720**	**8,422,792**	**1,175,000**	**815,272**	**544,783**	**12,827,567**

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.2 THE COMPANY

	Internally generated computer software €	Software rights €	Total €
Cost			
Balance at 1 January 2019	16,012,179	3,000,000	19,012,179
Additions	1,137,504	-	1,137,504
Balance at 31 December 2019	17,149,683	3,000,000	20,149,683
Balance at 1 January 2020	17,149,683	3,000,000	20,149,683
Additions	1,770,895	-	1,770,895
Balance at 31 December 2020	18,920,578	3,000,000	21,920,578
Amortisation			
Balance at 1 January 2019	11,453,458	1,425,000	12,878,458
Charge for the year	591,983	200,000	791,983
Balance at 31 December 2019	12,045,441	1,625,000	13,670,441
Balance at 1 January 2020	12,045,441	1,625,000	13,670,441
Charge for the year	677,640	200,000	877,640
Balance at 31 December 2020	12,723,081	1,825,000	14,548,081
Carrying amounts			
At 1 January 2019	4,558,721	1,575,000	6,133,721
At 31 December 2019	5,104,242	1,375,000	6,479,242
At 31 December 2020	**6,197,497**	**1,175,000**	**7,372,497**

10.3 AMORTISATION

The amortisation of internally generated and other computer software, customer and other related contractual relationship and software rights is included in cost of sales.

10.4 INTERNALLY GENERATED COMPUTER SOFTWARE

The internally generated computer software, which is continually under development, is recognised annually and the relative amortisation is charged annually in line with the accounting policy in Note 4.6.7. RS2 Software INC. has not begun amortising the internally generated computer software as yet since they are not operating on their own platform as yet. The remaining amortisation period amounts ranges depending on when the assets are available for use and generally does not exceed 15 years being the total amortisation period.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.5 SOFTWARE RIGHTS

The BankWORKS® software rights were acquired by the Company in 2011 from a customer situated in the Scandinavian region. The relative amortisation is charged annually in line with the accounting policy in Note 4.6.7. The remaining amortisation period for the software rights amounts to 6 years (2019: 7 years).

10.6 OTHER COMPUTER SOFTWARE

Other computer software mainly comprises BankWORKS® license held by RS2 Software INC. as well as bank identification number sponsorship costs relating to RS2 Financial Services GmbH. The relative amortisation is charged annually in line with the accounting policy in Note 4.6.7. The remaining amortisation period for the bank identification number sponsorship costs amounts to 15 years (2019: nil).

10.7 CUSTOMER AND OTHER RELATED CONTRACTUAL RELATIONSHIP

Upon acquisition of Kalicom Zahlungssysteme GmbH on 1 January 2020 (refer to Note 11.12), the Group also acquired an existing customer base and other contractual relationship. The relative amortisation is charged annually in line with the accounting policy in Note 4.6.7. The remaining amortisation period for the customer and other related contractual relationship amounts to 11 years (2019: nil).

10.8 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 SOFTWARE INC.)

Goodwill primarily arose from the acquisition of 26% of the issued share capital of RS2 Software LLC (formerly Transworks LLC) in 2009. During 2014, the Company acquired a further 38.2% shareholding in RS2 Software LLC for $500,000. For the purposes of impairment testing of goodwill arising on the acquisition of RS2 Software LLC (now merged into RS2 Software INC.), the recoverable amount of the related CGU containing goodwill was based on its value-in-use and was determined by discounting the projected future cash flows to be generated from RS2 Software LLC. In 2018, RS2 Software LLC was merged into a newly formed company, RS2 Software INC., in which the Company held the same percentage holding that it held in RS2 Software LLC. As at the end of 31 December 2020, the total shareholding of 64.2% reduced to 57.05% due to the vesting of shares of an executive (as detailed in Note 29.3). For this purpose management prepared forecasts of net cash flows for the five-year period 2021 - 2025 (2019: five-year period 2020 - 2024) and applied growth rates for subsequent years.

10.8.1 PAST PERFORMANCE AND OUTLOOK

North America presents the largest market in the growing global payment industry. Electronic payment growth continues to benefit from secular trends. Mega-mergers in the card processing market have created a void of providers to serve ISOs, ISVs and PayFacs. Legacy players have blurred the value chain and operate patchworks of legacy platforms cobbled together through acquisitions and technology-oriented new entrants still focus on niche markets but creating massive shareholder value. RS2 Software INC. has adapted and certified RS2 Software p.l.c.'s proven BankWORKS® payment processing platform for the North American Market, activated its first BIN sponsorship and hired a core team.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.8 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 SOFTWARE INC.) (Continued)

10.8.1 PAST PERFORMANCE AND OUTLOOK (Continued)

RS2 Software INC. offers a global, complete and modern cloud-based processing platform (issue/settle/acquire) for any form of payment (including crypto-currency), with rich functionality and API enablement. RS2 Software INC. is positioned as a leading service provider in the United States that enables innovators to create their own payment ecosystem. Focus is on filling the void created by mega-mergers: target customers are technical ISOs, ISVs, PayFacs and technology companies with merchant base. The core global platform is enabled for online and offline processing and the company has an ambitious product roadmap for the years to come.

10.8.2 ASSUMPTIONS

There are a number of assumptions and estimates involved in calculating the present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in forecast net cash flows, calculated as adjusted operating profit or loss before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long-term growth rates; and
- discount rates to reflect the risks involved.

Current year

As further disclosed in Note 29.3, following the termination of employment of an executive (referred to as 'key management personnel' in Note 27) of RS2 Software INC., a management's expert has been engaged in order to assist in the valuation of the minority stake in RS2 Software INC.. In order to estimate the Enterprise Value of the subsidiary, which was also used by management for the purposes of impairment testing of goodwill arising on the acquisition of RS2 Software LLC (now merged into RS2 Software INC.) as well as impairment testing of the Company's investment in the US subsidiary, an income approach valuation methodology has been considered.

The key assumptions used in the calculation of the value-in-use of RS2 Software INC. are the forecasted free cash flows and the discount rate, used in a risk-adjusted cash flow forecast.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.8 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 SOFTWARE INC.) (Continued)

10.8.2 ASSUMPTIONS (Continued)

The cash flow projections used to calculate value-in-use consider the forecasted free cash flows for five years and a terminal growth rate of 2%. These projections comprise cash flow movements based on:

- revenues include management's revenue projections in full, expected to be generated over the following five years, with growth being projected on the forecasted sales volumes and charges. Such revenue forecasts comprise the revenue potential of current leads and ongoing negotiations with prospective clients, as well as revenue expected from new targets.
- expenses expected to be incurred to generate forecasted revenues. Such expenses mainly encompass wages and salaries for staff engaged in management, operations, sales and administration; operating costs including hosting and software related; consultancy fees, and other ancillary expenses.

In addition, projection risk of 10.0% was reflected in the forecasted net cash (outflows)/inflows, thereby considering the risk associated with the achievement of the financial projections under the various scenarios.

Discount rate*:

	2020
Post-tax	21.9%
Pre-tax	26.5%

* The discount rate is a measure based on the US risk-free rate (based on 20-year US Treasury debt), industry specific risk rate and the estimated projection risk rate of the business initiative. The discount rate reflects the current market assessments of the time value of money and management's assessment of the risks specific to the projected cash flows.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.8 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 SOFTWARE INC.) (Continued)

10.8.2 ASSUMPTIONS (Continued)

Comparative year

The key assumptions used in the calculation of the value-in-use of RS2 Software INC. are the forecasted net cash flows and the discount rate, used in a risk-adjusted cash flow forecast.

The cash flow projections used to calculate value-in-use consider the forecast net cash flows for five years and a terminal growth rate of 1.78%. These projections comprise cash flow movements based on:

- revenue expected to be generated over the following five years, with growth being projected on the forecasted sales volumes and charges. Such revenue forecasts comprise the revenue potential of current leads and ongoing negotiations with prospective clients, as well as revenue expected from new targets.
- expenses expected to be incurred to generate forecasted revenues. Such expenses mainly encompass wages and salaries for staff engaged in management, operations, sales and administration; operating costs including hosting and software related; consultancy fees, travelling and other ancillary expenses.

For 2019, the projection risk was reflected in the forecasted net cash (outflows)/inflows.

Discount rate*:

	2019
Post-tax	13.3%
Pre-tax	16.1%

* The discount rate is a measure based on the US risk-free rate (based on US Government 30-year bond), industry specific risk rate and the estimated projection risk rate of the business initiative. The discount rate reflects the current market assessments of the time value of money and management's assessment of the risks specific to the projected cash flows.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.8 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 SOFTWARE INC.) (Continued)

10.8.3 TERMINAL GROWTH RATE

Cash flows beyond 2025 have been extrapolated using a terminal growth rate of 2.00% (2019: 1.78%). The terminal growth rate was determined based on management's estimate of the long-term compounded annual cash flow growth rate, consistent with the assumption that a market participant would make.

10.8.4 ASSESSMENT

At Company level, the recoverable amount of RS2 Software INC. was determined to be higher than its carrying amount. The carrying amount comprises the cost of the investment in shares and advances to RS2 Software INC. at 31 December 2020 which stood at €10.7m (2019: €9.9m).

At Group level, the carrying amount of the CGU, which includes internally generated as well as other computer software in relation to RS2 Software INC., amounts to €1.7m (2019: €1.5m), of which goodwill amounts to €0.6m (2019: €0.7m).

In line with the outcome of such assessments, management is of the opinion that the investment in RS2 Software INC., both from a Company and a Group perspective, is not impaired.

10.9 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 ZAHLUNGSSYSTEME GMBH)

As further disclosed in Note 11.12, in the financial reporting period ending on 31 December 2020, goodwill arose from the acquisition of 100% of the issued share capital of Kalicom Zahlungssysteme GmbH (recently renamed to RS2 Zahlungssysteme GmbH) by RS2 Group (RS2 Holding Europe GmbH). For the purposes of impairment testing of goodwill arising on this acquisition, the recoverable amount of the related CGU containing goodwill was based on its value-in-use and was determined by discounting the projected future cash flows to be generated from RS2 Zahlungssysteme GmbH. For this purpose, management prepared forecasts of net cash flows for the five-year period 2021 - 2025 and applied growth rates for subsequent years.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.9 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 ZAHLUNGSSYSTEME GMBH) (Continued)

10.9.1 BACKGROUND AND OUTLOOK

RS2 Zahlungssysteme GmbH is an ISO and payment provider business for SMEs and selected key account merchants across Germany. The services provided by RS2 Zahlungssysteme GmbH include network service provider, girocard (an interbank network and debit card service virtually connecting all German ATMs and banks) and credit card acceptance, terminals, terminal management, technical maintenance and a wide range of value added services. The acquisition is a starting point for RS2`s direct merchant business with more than 4,000 terminals and over 2,000 merchants under management.

10.9.2 ASSUMPTIONS

There are a number of assumptions and estimates involved in calculating the present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in forecast net cash flows, calculated as adjusted operating profit or loss before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- uncertainty of future technological developments;
- long-term growth rates; and
- discount rates to reflect the risks involved.

The key assumptions used in the calculation of the value-in-use of RS2 Zahlungssysteme GmbH, are the forecasted net cash flows and the discount rate, used in a risk-adjusted cash flow forecast.

The cash flow projections used to calculate value-in-use consider the forecast net cash flows for five years and a terminal growth rate of 0.95%. These projections comprise cash flow movements based on:

- revenue expected to be generated over the following five years, with growth being projected on the forecasted sales volumes and charges. Such revenue forecasts comprise the revenue potential of current leads and ongoing negotiations with prospective clients, as well as revenue expected from new targets.
- expenses expected to be incurred to generate forecasted revenues. Such expenses mainly encompass wages and salaries for staff engaged in operations; operating costs; and other ancillary expenses.

For 2020, the projection risk was reflected in the forecasted net cash (outflows)/inflows.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.9 IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL (RS2 ZAHLUNGSSYSTEME GMBH) (Continued)

10.9.2 ASSUMPTIONS (Continued)

Discount rate*:

	2020
Post-tax	**11.0%**
Pre-tax	**14.4%**

* The discount rate is a measure based on the German risk-free rate (based on German Government 30-year bond), industry specific risk rate, the estimated projection risk rate of the business initiative as well as a small company risk premium. The discount rate reflects the current market assessments of the time value of money and management's assessment of the risks specific to the projected cash flows.

10.9.3 TERMINAL GROWTH RATE

Cash flows beyond 2025 have been extrapolated using a terminal growth rate of 0.95%. The terminal growth rate was determined based on management's estimate of the long-term compounded annual cash flow growth rate, consistent with the assumption that a market participant would make.

10.9.4 ASSESSMENT

At Group level, the carrying amount of the CGU, which includes customer and other related contractual relationship in relation to RS2 Zahlungssysteme GmbH, amounts to €2.1m, of which goodwill amounts to €1.3m. At Company level, the carrying amount comprises the cost of investment in shares and advances to the subsidiary which at 31 December 2020 amounted to €1.1m. In line with the outcome of such an assessment, management is of the opinion that this CGU is not impaired.

11 INVESTMENTS IN SUBSIDIARIES

11.1 MOVEMENT SCHEDULE OF INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2020 €	2019 €
Balance at 1 January	**14,475,363**	9,836,399
Acquisitions	**-**	175,000
Contribution to subsidiaries	**1,830,745**	4,303,046
Discount unwind on accrued income receivable from subsidiary	**-**	160,918
Balance at 31 December	**16,306,108**	14,475,363

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.2 CONTRIBUTION TO SUBSIDIARIES

Contribution to subsidiaries are unsecured, interest free and represent capital contributions.

11.3 FURTHER DETAILS ABOUT RS2 SOFTWARE P.L.C.'S INVESTMENT IN SUBSIDIARIES

	Place of business	Ownership interest fully paid-up 2020 %	2019 %	Nature of business
RS2 Smart Processing Limited	RS2 Buildings, Fort Road, Mosta MST1859 Malta	**99.92**	99.92	Transaction processing services with the use of BankWORKS®
RS2 Software INC.	Twelfth floor, Suite No. 1285, South Ulster, Denver, Colorado USA	**57.05**	64.20	Transaction processing services with the use of BankWORKS®
RS2 Software LAC LTDA	Rua Manoel de Nóbrega Município de São Paulo Estado de São Paulo Brazil	**99.00**	99.00	Provision of support and other related services to the Company and its clients
RS2 Software APAC INC.	Unit 1501 AccraLaw Tower 2nd Avenue Corner 30th Street Bonifacio Global City Barangay Fort Bonifacio Taguig City 1634, Metro Manila Philippines	**99.99**	99.99	Provision of support and other related services to the Company and its clients
RS2 Germany GmbH	Martin-Behaim-Straße 12 63263 Neu-Isenburg Germany	**100.00**	100.00	Provision of support and other related services to the Company and its clients
RS2 Merchant Services Europe GmbH (previously RS2 Holding Europe GmbH)	Martin-Behaim-Straße 12 63263 Neu-Isenburg Germany	**100.00**	100.00	Holding company

In addition, RS2 Merchant Services Europe GmbH (previously RS2 Holding Europe GmbH) owns the following subsidiaries:

	Place of business	Ownership interest fully paid-up 2020 %	2019 %	Nature of business
RS2 Financial Services GmbH	Martin-Behaim-Straße 12 63263 Neu-Isenburg Germany	**100.00**	100.00	Merchant Solutions
RS2 Zahlungssysteme GmbH (previously Kalicom Zahlungssysteme GmbH)	Martin-Behaim-Straße 12 63263 Neu-Isenburg Germany	**100.00**	N/A	Merchant Solutions

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.4 INVESTMENT IN RS2 SOFTWARE INC.

On 12 June 2009, the Company acquired control of RS2 Software LLC, a transaction processing company in the United States of America, by acquiring 26% of the shares and voting interests in the company. On 24 September 2014, the Company acquired a further 38.2% shareholding in RS2 Software LLC. On 16 February 2018, a new company, RS2 Software INC. was incorporated and the Company held 64.2% shareholding in it. The newly formed corporation merged with RS2 Software LLC on 28 March 2018. As further detailed in Note 29.3, in February 2018, the Group recruited a new CEO for its North American business. This executive was granted 12,500 new shares in RS2 Software INC., with certain vesting conditions and restrictions. Furthermore, in March 2019, the Group granted 5,626 share options to its management, with certain vesting conditions and restrictions. These arrangements are accounted for as a cash-settled arrangement and accordingly a corresponding liability is recognised in the Group financial statements. During the period in which such individuals will hold the shares, the Group's effective voting rights will be reduced accordingly.

As at 31 December 2020 issued ordinary share capital in RS2 Software INC. amounted to €1,398,576 (2019: €1,398,576). Loss for the year amounts to €5,065,085 (2019: €4,361,902) and the accumulated losses reserve totals €5,190,453 (2019: €987,457). The translation reserve of RS2 Software INC. comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve is non-distributable and amounts to €38,775 (2019: negative of €186,608).

11.5 INVESTMENT IN RS2 SMART PROCESSING LIMITED

On 29 May 2012, the Company subscribed to and was allotted 1,200 shares in RS2 Smart Processing Limited, a company registered in Malta, representing 99.92% of the share capital of this subsidiary. During 2015, RS2 Smart Processing Limited increased its authorised share capital to 1,500,000 ordinary shares at a nominal value of €1.00 each. The increase in share capital was fully subscribed by the existing shareholders as at 31 December 2014 in a proportionate manner.

At Company level, the recoverable amount of RS2 Smart Processing Limited was determined to be higher than its carrying amount. The carrying amount comprises the cost of the investment in shares and advances to RS2 Smart Processing Limited at 31 December 2020 which stood at €2.5m (2019: €2.9m). The key assumptions used in the calculation of the value-in-use of RS2 Smart Processing Limited are the forecasted net cash flows and the discount rate and any major fluctuations in these unobservable inputs may significantly impact the estimated recoverable amount and consequently, any excess of such amount over the carrying amount.

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.5 INVESTMENT IN RS2 SMART PROCESSING LTD (Continued)

In a prior year, the Company entered into a contract with a subsidiary at favourable rates, thus giving rise to an additional cost of investment in the subsidiary and in interest income in the Company's statement of comprehensive income between the date of the contract and 31 December 2020. During comparative periods, the Company also transferred the respective financing component to retained earnings through a reduction in the cost of investment in the subsidiary (unless the transfer was considered immaterial). Such transfers were considered to be immaterial during the current year.

As at 31 December 2020 issued ordinary share capital in RS2 Smart Processing Limited amounted to €1,500,000 (2019: €1,500,000). Loss for the year amounts to €153,187 (2019: profit of €196,884) accumulated losses amounted to €1,663,269 (2019: €1,510,085). Other reserve relates to post-employment benefits to key management personnel amounting to €16,482 (2019: €23,429).

11.6 INVESTMENT IN RS2 SOFTWARE LAC LTDA

On 16 September 2015, the Company subscribed to and was allotted 3,465 shares in RS2 Software LAC LTDA, a company registered in Brazil, representing 99.00% of the share capital of this subsidiary.

As at 31 December 2020 issued ordinary share capital in RS2 Software LAC LTDA amounted to €789 (2019: €789). Profit for the year amounts to €4,228 (2019: €10,567) and accumulated losses amounted to €34,053 (2019: €38,281). The translation reserve of RS2 Software LAC LTDA comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve is non-distributable and amounts to €15,251 (2019: €6,550).

11.7 INVESTMENT IN RS2 SOFTWARE APAC INC.

On 4 April 2016, the Company subscribed to and was allotted 55,745 shares of PhP100 each in RS2 Software APAC Inc., a company registered in the Philippines, representing 99.99% of the share capital of this subsidiary.

As at 31 December 2020 issued ordinary share capital in RS2 Software APAC Inc. amounted to €112,105 (2019: €112,105). Profit for the year amounts to €135,312 (2019: €58,335) and the retained earnings reserve totals €529,450 (2019: €383,563). The translation reserve of RS2 Software APAC Inc. comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve is non-distributable and amounts to negative €64,201 (2019: €41,098).

At Company level, the recoverable amount of RS2 Software APAC Inc. was determined to be higher than its carrying amount. The carrying amount comprises the cost of the investment in shares and advances to RS2 Software APAC Inc. at 31 December 2020 which stood at €1.1m (2019: €1.1m). The key assumptions used in the calculation of the value-in-use of RS2 Software APAC Inc. are the forecasted net cash flows and the discount rate and any major fluctuations in these unobservable inputs may significantly impact the estimated recoverable amount and consequently, any excess of such amount over the carrying amount.

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.8 INVESTMENT IN RS2 GERMANY GMBH

On 2 February 2018, the Company subscribed to and was allotted 1 share equivalent to €25,000 in RS2 Germany GmbH, a company registered in Germany, representing 100.00% of the share capital of this subsidiary.

As at 31 December 2020 issued ordinary share capital in RS2 Germany GmbH amounted to €25,000 (2019: €25,000). Profit for the year amounts to €21,879 (2019: loss of €9,340) and the retained earnings reserve totals €628,189 (2019: €606,311).

At Company level, the recoverable amount of RS2 Germany GmbH was determined to be higher than its carrying amount. The carrying amount comprises the cost of the investment in shares and advances to RS2 Germany GmbH at 31 December 2020 which stood at €0.7m (2019: €0.7m). The key assumptions used in the calculation of the value-in-use of RS2 Germany GmbH are the forecasted net cash flows and the discount rate and any major fluctuations in these unobservable inputs may significantly impact the estimated recoverable amount and consequently, any excess of such amount over the carrying amount.

11.9 INVESTMENT IN RS2 MERCHANT SERVICES EUROPE GMBH

On 1 November 2019, the Company subscribed to and was allotted 25,000 shares equivalent to €25,000 in RS2 Merchant Services Europe GmbH (previously RS2 Holding Europe GmbH), a company registered in Germany, representing 100.00% of the share capital of this subsidiary.

As at 31 December 2020, issued ordinary share capital in RS2 Merchant Services Europe GmbH amounted to €25,000 (2019: €25,000). Loss for the year amounts to €907,348 (2019: €121,926) and the accumulated losses total €1,029,274 (2019: €121,926). Other reserves amount to €1,050,000 (2019: €150,000).

At Company level, the recoverable amount of RS2 Merchant Services Europe GmbH was determined to be higher than its carrying amount. The carrying amount comprises the cost of the investment in shares and advances to RS2 Merchant Services Europe GmbH at 31 December 2020 which stood at €1.1m (2019: €0.2m). The key assumptions used in the calculation of the value-in-use of RS2 Merchant Services Europe GmbH are the forecasted net cash flows and the discount rate and any major fluctuations in these unobservable inputs may significantly impact the estimated recoverable amount and consequently, any excess of such amount over the carrying amount.

11.10 RESTRICTIONS ON ASSETS AND LIABILITIES

Other than as disclosed, there are no significant restrictions on the ability to access or use assets, and settle liabilities of the Group.

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.11 NON-CONTROLLING INTERESTS

RS2 Software INC.	2020	2019
NCI percentage	42.95%	35.80%
	€	€
Non-current assets	7,021,186	2,982,685
Current assets	4,478,148	2,466,641
Non-current liabilities	(1,075,193)	(793,248)
Current liabilities	(14,177,244)	(4,431,568)
Net (liabilities)/assets	(3,753,103)	224,510
Net (liabilities)/assets attributable to NCI	(1,611,958)	80,375
Adjustments:		
Share of capital contribution due to the Company	(4,123,191)	(3,124,502)
Adjustment upon elimination of investment in subsidiary	207,365	133,367
Amounts due to the Company	(58,827)	(49,034)
Amounts due to other subsidiaries	(11,149)	(10,150)
Foreign currency translation reserve attributable to NCI	400,140	(57,485)
Other adjustments	551,998	98,977
Net assets attributable to other NCI	341	789
Net liabilities attributable to total NCI	(4,645,281)	(2,927,663)
Revenue	8,869,476	4,302,492
Loss	(5,065,085)	(4,361,902)
Total comprehensive income/(loss)	3,804,391	(59,410)
Loss attributable to NCI	(2,175,454)	(1,561,561)
Profit/(loss) attributable to other NCI	214	(8,617)
Loss attributable to total NCI	(2,175,240)	(1,570,178)
Cash flows from operating activities	8,140,245	(2,154,942)
Cash flows from investing activities	(4,973,540)	(1,797,016)
Cash flows from financing activities (dividends to NCI: nil)	714,913	4,595,641
Net increase in cash and cash equivalents	3,881,618	643,683

11.12 ACQUISITION OF RS2 SOFTWARE ZAHLUNGSSYSTEME GMBH

In December 2019, the RS2 Group (RS2 Holding Europe GmbH) has acquired a shelf company and renamed it Kalicom Zahlungssysteme GmbH. The purpose of this acquisition was to acquire Kalicom Liebers Zahlungssysteme KG.

Kalicom Liebers Zahlungssysteme KG is one of the most successful commercial network operators for electronic, card-based payment systems with more than four thousand payment terminals, located in Reinsdorf, Germany. It serves SMEs across Germany with products including POS terminals, girocard/direct debit processing, routing of credit card transactions and referral of acquiring services.

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.12 ACQUISITION OF RS2 SOFTWARE ZAHLUNGSSYSTEME GMBH (Continued)

On 1 January 2020, Kalicom Zahlungssysteme GmbH (later renamed RS2 Zahlungssysteme GmbH) purchased 100% of Kalicom Liebers Zahlungssysteme KG, categorised as share deal. RS2 Zahlungssysteme GmbH (previously Kalicom Zahlungssysteme GmbH) is a 100% subsidiary of RS2 Merchant Services Europe GmbH (previously RS2 Holding Europe GmbH), which is a 100% subsidiary of RS2 Software p.l.c..

This acquisition is a further step for RS2 to eliminate any dependencies on third parties to ensure first class services. At the same time, this gives RS2 a quick start into the German acquiring market.

The transaction is classified as a Class 1 transaction as per listing rules of the Malta Stock Exchange. The purchase price of this acquisition was €2,000,000 plus acquisition related costs. To finance this deal, RS2 Software p.l.c. increased its credit line with one of the Company's bankers. RS2 Software p.l.c. gave the purchaser an intercompany loan to pay the purchase price and the acquisition related costs in cash. The costs related to this acquisition amount to €225,000 on legal fees and other related costs and are being included within the line item administrative expenses.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of RS2 Zahlungssysteme GmbH (previously Kalicom Zahlungssysteme GmbH):

	Fair value €
Property, plant and equipment	40,360
Right-of-use assets	51,341
Intangible assets – customer and other related contractual relationships	594,309
Deferred tax assets	183,211
Inventories	13,404
Finance lease receivables	80,294
Lease liabilities	(47,341)
Deferred tax liabilities	(178,293)
Net identifiable assets acquired	737,285
Add: Goodwill	1,262,715
Net assets acquired	2,000,000

The goodwill is attributable to RS2 Zahlungssysteme GmbH's strong position and profitability in the electronic, card-based payment systems and synergies expected to arise after the Company's acquisition of the new subsidiary. The Group will receive tax deductions of €1,957,133 based on the goodwill that is recognised by the acquiree in its own books based on local tax reporting; some of this goodwill pertains to identifiable intangible assets which are recognised as such by the Group.

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.12 ACQUISITION OF RS2 SOFTWARE ZAHLUNGSSYSTEME GMBH (Continued)

The fair value of finance lease receivables is €80,294. The gross contractual amount for trade receivables due is €80,294 of which none is expected to be uncollectible.

The acquired business contributed revenues of €1,996,395 and net loss before tax of €78,460 to the Group for the reporting period with effect from 1 January 2020, being the date of acquisition.

12 OTHER INVESTMENT

12.1 FURTHER DETAILS ABOUT THE OTHER INVESTMENT

These assets comprise an investment in a company incorporated in the United States of America that is engaged in the provision of end-to-end electronic payment platforms. Under IFRS 9, the other investment is classified as an equity instrument designated at FVTOCI upon initial recognition. As at 31 December 2019, the financial investment held amounted to €217,105. This investment is presented as a non-current asset held-for-sale at 31 December 2020.

12.2 NON-CURRENT ASSET CLASSIFIED AS HELD-FOR-SALE

In November 2020, management was informed that investment holders in the aforementioned company were given an option to sell part or all of their holdings based on a specific valuation price. As management deemed this sale price to be reasonable, it expressed interest in disposing of the full investment held, due to the fact that this is deemed to be no longer in line with RS2 Group's strategy. In this respect, the equity value as at end of December 2020 has been reclassified from Other Investment to Non-current Asset classified as Held-for-Sale and the book value was adjusted to match the offered selling price of €296,205, with the gain in fair value of investment in equity instruments being taken to other comprehensive income. This sale is expected to be concluded during 2021.

13 INVENTORIES

	THE GROUP	
	2020 €	2019 €
Current		
Finished goods – terminals at cost	**21,391**	-

13 INVENTORIES (Continued)

Inventories recognised as an expense during the year ended 31 December 2020 amounted to €85,237 (2019: €nil). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to €nil (2019: €nil).

None of these inventories have been pledged as security for liabilities (2019: none).

14 TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Current				
Trade receivables owed by third parties	**1,806,290**	2,778,811	**410,511**	615,741
Trade receivables owed by subsidiaries	**-**	-	**7,277,151**	1,351,798
Trade receivables owed by other related parties	**167,989**	976,242	**167,989**	976,242
Other receivables	**762,010**	434,207	**4,861**	4,824
	2,736,289	4,189,260	**7,860,512**	2,948,605

Transactions with related parties are set out in Note 32 to these financial statements.

Trade receivables for the Group and the Company are shown net of impairment losses recognised during the year as disclosed in Note 23.3.

Information about the Group's and the Company's exposure to credit and market risks for trade receivables is included in Note 6.

14.1 LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Non-current				
Loans receivable from parent company	**796,631**	786,170	**796,625**	786,170
Loans receivable from group companies	**-**	-	**2,303,004**	58,019
	796,631	786,170	**3,099,629**	844,189
Current				
Amounts owed by group companies	**-**	-	**225**	-
Amounts owed by other related parties	**910**	137,938	**910**	6,444
	910	137,938	**1,135**	6,444

14 TRADE AND OTHER RECEIVABLES (Continued)

14.1 LOANS RECEIVABLE (Continued)

Amounts due by parent company are secured and bear interest at the rate of 2% per annum.

Amounts due by the US subsidiary of €52,998 as at 31 December 2020 (2019: €58,019) were unsecured, repayable on demand and did not bear any interest.

Amounts due by RS2 Financial Services GmbH of €50,000 as at 31 December 2020 (2019: nil) were unsecured and bear interest of 2.7% per annum over the 3-month euribor. Such amount is repayable by 2025.

Amount due by RS2 Zahlungssysteme GmbH of €2.2m (2019: nil) was unsecured and bears interest of 2.7% per annum over the 3-month euribor. Such amount is repayable by 2024.

Transactions with related parties are set out in Note 32 to these financial statements.

The Group's and the Company's exposure to credit and market risks for loans receivable are disclosed in Note 6.

15 ACCRUED INCOME AND CONTRACT COSTS

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Current				
Contract assets owed by third parties	**1,237,306**	1,536,420	**797,757**	782,961
Contract assets owed by parent company	**120,000**	120,000	**120,000**	120,000
Contract assets owed by subsidiary	**-**	-	**7,613,401**	3,212,785
Contract assets owed by other related parties	**974,144**	302,815	**974,144**	302,815
	2,331,450	1,959,235	**9,505,302**	4,418,561
Accrued income owed by subsidiary	**-**	-	**-**	639,798
Contract costs	**94,136**	654,265	**85,000**	-
	2,425,586	2,613,500	**9,590,302**	5,058,359

15 ACCRUED INCOME AND CONTRACT COSTS (Continued)

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Category of activity				
License fees excluding customisation	**372,604**	313,556	**5,329,291**	304,169
Service fees, transaction processing and customisation	**1,958,846**	1,615,469	**1,864,515**	3,759,937
Maintenance fees	**-**	-	**704,100**	252,937
Re-imbursement of expenses	**-**	30,210	**-**	57,418
Other recharges	**-**	-	**1,607,396**	44,100
	2,331,450	1,959,235	**9,505,302**	4,418,561
Accrued income	**-**	-	**-**	639,798
Contract costs	**94,136**	654,265	**85,000**	-
	2,425,586	2,613,500	**9,590,302**	5,058,359

Significant changes in the contract assets balances during the period are as follows:

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Balance at 1 January	**1,959,235**	4,318,470	**4,418,561**	4,402,896
Increases as a result of further progress	**1,364,484**	884,230	**7,639,603**	3,722,635
Release of opening contract assets to revenue	**(487,735)**	(3,332,324)	**(3,712,235)**	(3,576,589)
Other movements	**(504,534)**	88,859	**1,159,373**	(130,381)
Balance at 31 December	**2,331,450**	1,959,235	**9,505,302**	4,418,561

The decrease in impairment loss during 2020 amounted to €3,000 (2019: €40,000).

Transactions with related parties are set out in Note 32 to these financial statements.

15 ACCRUED INCOME AND CONTRACT COSTS (Continued)

In relation to implementation and customisation which is followed by transaction processing services, the following applies: (a) where the fee is treated as an advance payment for future goods or services and is therefore recognised as revenue when those future goods or services are provided, the related costs are amortised on a straight-line basis over the period that the related future service is expected to be transferred to the customer; and (b) where the fee relates to a distinct performance obligation and that activity results in the transfer of a promised good or service to the customer, the related revenue and costs are recognised over the customisation period.

Other contract costs mainly relate to the deferral of costs incurred by the Group in relation to the provision of certain scoping and development services necessary for the implementation of pilot services in anticipation of a potential long-term strategic relationship with another party for the development and commercialisation of a customised processing and payments solution for use in the travel industry.

During the performance of the scoping and development services, each of the two parties is required to bear its own cost, subject to the recovery of certain costs by the Group if such activity is terminated by the counterparty.

No amortisation of contract costs took place in 2020 and 2019 due to the fact that the related activities to which those contract costs relate had not commenced during these periods. As at 31 December 2020, provisions on group contract costs amounted to €1.2m (2019: €nil).

16 CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Cash at bank	**6,817,075**	2,416,380	**1,535,884**	1,136,295
Cash in hand	**5,179**	5,831	**4,182**	5,400
Bank overdraft	**(9,657,211)**	(3,779,498)	**(9,657,211)**	(3,779,498)
	(2,834,957)	(1,357,287)	**(8,117,145)**	(2,637,803)

Bank overdraft relates to a bank overdraft facility from APS Bank p.l.c., as detailed in Note 18.

17 CAPITAL AND RESERVES

17.1 SHARE CAPITAL

	GROUP AND COMPANY	
	2020 No.	2019 No.
Ordinary Shares		
On issue at 1 January - fully paid-up	**192,968,569**	171,527,619
Bonus issue	**-**	21,440,950
On issue at 31 December - fully paid-up	**192,968,569**	192,968,569

	GROUP AND COMPANY	
	2020 €	2019 €
Ordinary Shares		
On issue at 1 January - fully paid up at €0.06 per share	**11,578,114**	10,291,657
Bonus issue	**-**	1,286,457
On issue at 31 December - fully paid-up	**11,578,114**	11,578,114

AUTHORISED SHARE CAPITAL

On 15 December 2020, an Extraordinary General Meeting (EGM) was held whereby it was approved that the authorised share capital of the Company be varied and increased from 200,000,000 shares to 300,000,000 shares at a nominal value of €0.06 each (2019: €0.06 each). During the same meeting, it was also resolved that the authorised share capital be split between €14,400,000 (240,000,000) ordinary shares (2019: 200,000,000) and €3,600,000 (60,000,000) preference shares, both at €0.06 each.

SHAREHOLDER RIGHTS

The holders of ordinary shares are entitled to receive dividends as declared from time to time. On 15 December 2020, during the EGM, it was resolved that ordinary shareholders are entitled to two votes (2019: one vote) per share at the meetings of the Company. All ordinary shares shall rank *pari passu.*

17.2 SHARE PREMIUM

Share premium amounting to €1,077 (2019: €1,077) represents the balance of premium on issue of five million (5,000,000) ordinary shares of a nominal value of €0.20 each at a share price of €0.80 each. Share premium is shown net of transaction costs of €207,266 directly attributable to the issue of the ordinary shares.

During 2012, the Company allotted 2,499,956 bonus shares (1 for every 15 held) at a nominal value of €0.20 each, amounting to €499,991 out of its share premium reserve.

17 CAPITAL AND RESERVES (Continued)

17.2 SHARE PREMIUM (Continued)

During 2013, the Company allotted 2,500,000 bonus shares (1 for every 16 held) at a nominal value of €0.20 each, amounting to €500,000 out of its share premium reserve.

During the year ended 31 December 2014, the Company allotted 2,500,000 bonus shares (1 for every 17 held) at a nominal value of €0.20 each, amounting to €500,000 out of its share premium reserve.

During the year ended 31 December 2016, the Company allotted 5,000,000 bonus shares (1 for every 18 held) at a nominal value of €0.20 each, amounting to €500,000 out of its share premium reserve.

During the year ended 31 December 2017, the Company allotted 13,194,432 bonus shares (1 for every 12 held) approved by the AGM held on 20 June 2017 at a nominal value of €0.06 each, amounting to €791,666 out of its share premium reserve.

17.3 RESERVES

17.3.1 TRANSLATION RESERVE

The translation reserve of the Group comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve is non-distributable.

17.3.2 SHARE OPTION RESERVE

The share option reserve represents the fair value at grant date of the employees' expense in respect of equity-settled share-based payments based on the vesting period.

17.3.3 OTHER RESERVE

The other reserve relates to share-based payments granted by the Company to its employees under its employee share-based payment arrangements.

17.3.4 FAIR VALUE RESERVE

The fair value reserve represents the cumulative gains and losses arising on the revaluation of equity investments at FVTOCI that have been recognised in other comprehensive income.

17.3.5 EMPLOYEE BENEFITS RESERVE

The employee benefits reserve includes non-competition post-employment benefits due to employees holding senior management positions as further disclosed in Note 28 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) | FOR THE YEAR ENDED 31 DECEMBER 2020

17 CAPITAL AND RESERVES (Continued)

17.4 RETAINED EARNINGS

During the year ended 31 December 2019, the Company allotted 21,440,950 bonus shares (1 for every 8 held) approved by the AGM held on 18 June 2019 at a nominal value of €0.06 each, amounting to €1,286,457 out of its retained earnings.

17.5 AVAILABILITY OF RESERVES FOR DISTRIBUTION

The non-distributable reserves include the Share premium reserve, Employee benefits reserve, Fair value reserve, Other reserves and the Share option reserve.

18 BANK BORROWINGS

	GROUP AND COMPANY	
	2020	2019
	€	€
Non-current liabilities		
Bank loan	**1,621,137**	66,805
At end of year	**1,621,137**	66,805
Current liabilities		
Bank loan	**484,670**	133,155
Bank overdraft	**9,657,211**	3,779,498
At end of year	**10,141,881**	3,912,653

Bank borrowings represent the balance on two banking facilities. The first facility is a loan which was sanctioned to the Company on 19 December 2019 to finance the investment cost relating to the cost of acquisition of a merchant acquiring company based in Germany, repayable over a period of 5 years and subject to interest at the rate of 2.7% over the 3-month euribor rate, floored at 0% per annum. The second facility is an overdraft facility used for working capital requirements in connection with routine business operations, repayable on demand at the Bank's discretion and is subject to interest at the rate of 2.7% over the 3-month euribor rate, floored at 0% per annum. During 2020, there was a temporary increase of up to €6.5m on the second facility, expiring on 30 April 2021.

As at 31 December 2019, the Company's bank borrowings also included a facility repayable over a period of 5 years from the first drawdown, subject to interest at the rate of 3% over the 3-month euribor rate, as well as another facility repayable over a period of 7 years from the first drawdown, subject to interest at the rate of 2.47% over the 3-month euribor rate. Both facilities were fully repaid during financial year ended 31 December 2020.

18.1 COLLATERAL HEDGED AGAINST BANK BORROWINGS

All facilities are secured by first general hypothec over the Company's assets, first special hypothec and special privileges over the land situated in Mosta with a carrying amount of €5,385,476 and a pledge on a comprehensive insurance policy covering the hypothecated property.

18 BANK BORROWINGS (Continued)

18.2 UNDRAWN OVERDRAFT FACILITIES

As at 31 December 2020, the Group had undrawn overdraft facilities of €7,842,789 (2019: €9,720,502).

18.3 INTEREST RATE SWAP

During 2011, the Company entered into an interest rate swap for the purpose of hedging the risk of changes in cash flows related to interest payments on on its facilities. The fair value measurement for the interest rate swap has been categorised as a Level 2 fair value based on inputs other than quoted prices but that are observable for the instrument.

The Group's and the Company's exposure to liquidity and interest rate risks for financial assets and liabilities are disclosed in Note 6.

19 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

THE GROUP	Assets		Liabilities		Balance	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Property, plant and equipment	**-**	-	**(108,154)**	(98,541)	**(108,154)**	(98,541)
Intangible assets	**208,325**	-	**(2,373,793)**	(2,090,993)	**(2,165,468)**	(2,090,993)
Impairment loss on receivables	**431,782**	51,472	**-**	-	**431,782**	51,472
Provision for exchange fluctuations	**358,708**	70,470	**-**	-	**358,708**	70,470
Unabsorbed losses	**342,505**	376,017	**-**	-	**342,505**	376,017
Unabsorbed capital allowances	**-**	303,193	**-**	-	**-**	303,193
Temporary difference on expected credit losses under IFRS 9	**-**	13,650	**(15,050)**	-	**(15,050)**	13,650
Temporary difference on revenues previously recorded under IAS 18	**-**	-	**(104,055)**	(63,513)	**(104,055)**	(63,513)
Temporary difference on leases under IFRS 16	**3,379**	4,091	**(2,328)**	-	**1,051**	4,091
Temporary difference arising from other liabilities	**2,329**	-	**-**	-	**2,329**	-
Tax assets/(liabilities)	**1,347,028**	818,893	**(2,603,380)**	(2,253,047)	**(1,256,352)**	(1,434,154)
Set off of tax	**(1,347,028)**	(818,893)	**1,347,028**	818,893	**-**	-
Net tax liabilities	**-**	-	**(1,256,352)**	(1,434,154)	**(1,256,352)**	(1,434,154)

19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

THE COMPANY	Assets		Liabilities		Balance	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Property, plant and equipment	**-**	-	**(104,044)**	(97,634)	**(104,044)**	(97,634)
Intangible assets	**-**	-	**(1,805,481)**	(1,667,493)	**(1,805,481)**	(1,667,493)
Impairment loss on receivables	**-**	1,869	**-**	-	**-**	1,869
Provision for exchange fluctuations	**345,141**	71,322	**-**	-	**345,141**	71,322
Temporary difference on expected credit losses under IFRS 9	**-**	13,650	**(15,050)**	-	**(15,050)**	13,650
Temporary difference on revenues previously recorded under IAS 18	**188,545**	229,087	**-**	-	**188,545**	229,087
Temporary difference on leases under IFRS 16	**3,379**	4,091	**-**	-	**3,379**	4,091
Tax assets/(liabilities)	**537,065**	320,019	**(1,924,575)**	(1,765,127)	**(1,387,510)**	(1,445,108)
Set off of tax	**(537,065)**	(320,019)	**537,065**	320,019	**-**	-
Net tax liabilities	**-**	-	**(1,387,510)**	(1,445,108)	**(1,387,510)**	(1,445,108)

This deferred tax liability represents the temporary differences between the written down value and the net book value of the Group's and the Company's assets.

Deferred tax assets have not been recognised in respect of tax losses, until such time as more definitive information becomes available that sufficient tax profit will be available against which the Group can use the benefits therefrom. The unused tax losses on which no deferred tax asset is recognised at 31 December 2020 amounted to €7,991,841 (2019: €1,721,863).

19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movement in temporary differences during the year are as follows:

THE GROUP	Balance 1 January 2019 €	Recognised in profit or loss €	Balance 31 December 2019 €	Balance 1 January 2020 €	Acquisition of business 1 January 2020 €	Recognised in profit or loss €	Balance 31 December 2020 €
Property, plant and equipment	(110,425)	11,884	(98,541)	**(98,541)**	**-**	**(9,613)**	**(108,154)**
Intangible assets	(2,085,720)	(5,273)	(2,090,993)	**(2,090,993)**	**4,918**	**(79,393)**	**(2,165,468)**
Impairment loss on receivables	22,942	28,530	51,472	**51,472**	**-**	**380,310**	**431,782**
Provision for exchange fluctuations	76,663	(6,193)	70,470	**70,470**	**-**	**288,238**	**358,708**
Unabsorbed losses	376,017	-	376,017	**376,017**	**-**	**(33,512)**	**342,505**
Unabsorbed capital allowances	514,451	(167,629)	346,822	**346,822**	**-**	**(346,822)**	**-**
Temporary difference on expected credit losses under IFRS 9	28,350	(14,700)	13,650	**13,650**	**-**	**(28,700)**	**(15,050)**
Temporary difference on revenues previously recorded under IAS 18	172,785	(236,298)	(63,513)	**(63,513)**	**-**	**(40,542)**	**(104,055)**
Temporary difference on leases under IFRS 16	-	4,091	4,091	**4,091**	**-**	**(3,040)**	**1,051**
Temporary difference on revenues recognised in line with IFRS 15	-	(43,629)	(43,629)	**(43,629)**	**-**	**43,629**	**-**
Temporary difference arising from other liabilities	-	-	-	**-**	**-**	**2,329**	**2,329**
	(1,004,937)	(429,217)	(1,434,154)	**(1,434,154)**	**4,918**	**172,884**	**(1,256,352)**

THE COMPANY	Balance 1 January 2019 €	Recognised in profit or loss €	Balance 31 December 2019 €	Balance 1 January 2020 €	Recognised in profit or loss €	Balance 31 December 2020 €
Property, plant and equipment	(109,054)	11,420	(97,634)	**(97,634)**	**(6,410)**	**(104,044)**
Intangible assets	(1,610,887)	(56,606)	(1,667,493)	**(1,667,493)**	**(137,988)**	**(1,805,481)**
Impairment loss on receivables	13,376	(11,507)	1,869	**1,869**	**(1,869)**	**-**
Provision for exchange fluctuations	76, 674	(5,352)	71,322	**71,322**	**273,819**	**345,141**
Temporary difference on expected credit losses under IFRS 9	28,350	(14,700)	13,650	**13,650**	**(28,700)**	**(15,050)**
Temporary difference on revenues previously recorded under IAS 18	465,385	(236,298)	229,087	**229,087**	**(40,542)**	**188,545**
Temporary difference on leases under IFRS 16	-	4,091	4,091	**4,091**	**(712)**	**3,379**
	(1,136,156)	(308,952)	(1,445,108)	**(1,445,108)**	**57,598**	**(1,387,510)**

20 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Trade payables	**809,996**	615,077	**453,738**	415,127
Other payables	**599,177**	141,362	**350,332**	-
Dividends payable	**34,890**	25,752	**34,890**	25,752
Other taxes and social securities	**696,429**	867,655	**649,002**	777,473
Amounts due to other related parties	**26,387**	54,551	**496,048**	244,437
	2,166,879	1,704,397	**1,984,010**	1,462,789

Transactions with related parties are set out in Note 32 to these financial statements.

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 6.

21 ACCRUALS AND DEFERRED INCOME

21.1 ACCRUALS

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Accrued expenses owed to third parties	**3,376,536**	1,813,532	**1,370,248**	913,241
Amounts due to other related parties	**-**	-	**207,074**	174,188
	3,376,536	1,813,532	**1,577,322**	1,087,429

21.2 DEFERRED INCOME

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Current				
Contract liabilities owed by third parties	**1,390,824**	1,336,090	**1,104,270**	1,162,594
Contract liabilities owed by subsidiary	**-**	-	**528,000**	240,679
Contract liabilities owed by other related parties	**472,959**	500,422	**472,959**	500,422
	1,863,783	1,836,512	**2,105,229**	1,903,695
Deferred income owed by subsidiary	**-**	-	**47,907**	48,981
	1,863,783	1,836,512	**2,153,136**	1,952,676

21 ACCRUALS AND DEFERRED INCOME (Continued)

21.2 DEFERRED INCOME (Continued)

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Category of activity				
Licence fees excluding customisation	**26,250**	26,243	**506,250**	239,581
Service fees, transaction processing and customisation	**407,240**	317,890	**168,686**	171,738
Maintenance fees	**1,370,793**	1,432,879	**1,370,793**	1,432,876
Comprehensive packages	**59,500**	59,500	**59,500**	59,500
	1,863,783	1,836,512	**2,105,229**	1,903,695
Deferred income	**-**	-	**47,907**	48,981
	1,863,783	1,836,512	**2,153,136**	1,952,676

Significant changes in the contract liabilities balances during the period are as follows:

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Balance at 1 January	**1,836,512**	2,049,643	**1,903,695**	2,004,459
Release of opening contract liabilities to revenue	**(106,782)**	(626,146)	**(81,469)**	(626,146)
Increases due to cash received, excluding amounts recognised as revenue during the year	**461,889**	183,721	**266,667**	337,992
Other movements	**(327,836)**	229,294	**16,336**	187,390
Balance at 31 December	**1,863,783**	1,836,512	**2,105,229**	1,903,695

22 REVENUE

22.1 DISAGGREGATION OF REVENUE

Revenue is stated after deduction of sales rebates and indirect taxes and comprises of revenue from contracts with customers.

In the following table, revenue is disaggregated by category of activity and primary geographical markets. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Licensing Solutions		Processing Solutions		Merchant Solutions		Total	
Category of activity	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Licence fees excluding customisation	**2,794,782**	1,034,527	**-**	-	**-**	-	**2,794,782**	1,034,527
Service fees, transaction processing and customisation	**7,610,226**	8,187,455	**10,173,682**	7,975,386	**1,905,791**	-	**19,689,699**	16,162,841
Maintenance fees	**3,367,073**	3,355,383	**41,417**	36,991	**13,599**	-	**3,422,089**	3,392,374
Comprehensive packages	**714,000**	714,000	**-**	-	**-**	-	**714,000**	714,000
Re-imbursement of expenses	**28,616**	278,436	**78,816**	517,543	**25,385**	-	**132,817**	795,979
Operating lease income (note 9.2.1)	**-**	-	**-**	-	**60,335**	-	**60,335**	-
	14,514,697	13,569,801	**10,293,915**	8,529,920	**2,005,110**		**26,813,722**	22,099,721

The revenue recognised in the Group's statement of comprehensive income during the year ended 31 December 2020 amounted to €5.4m (2019: €4.8m) in relation to implementation activities (without the sale of a license) which are considered to be a distinct performance obligation resulting in the transfer of a promised good or service to the customer.

	Licensing Solutions		Processing Solutions		Merchant Solutions		Total	
Geographical markets	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Europe	**10,844,724**	11,837,217	**2,496,979**	3,433,203	**2,005,110**	-	**15,346,813**	15,270,420
Middle East	**716,273**	925,356	**184,834**	118,316	**-**	-	**901,107**	1,043,672
North America	**2,407,643**	524,578	**6,461,884**	4,303,009	**-**	-	**8,869,527**	4,827,587
South America	**-**	-	**64,144**	159,568	**-**	-	**64,144**	159,568
Asia	**546,057**	282,650	**1,086,074**	515,824	**-**	-	**1,632,131**	798,474
	14,514,697	13,569,801	**10,293,915**	8,529,920	**2,005,110**	-	**26,813,722**	22,099,721

As outlined in the above table, the Group's revenue is mainly generated through sales transactions concluded with customers situated in Europe (2019: Europe).

22 REVENUE (Continued)

22.2 CONTRACT BALANCES

The following table provides information about the Group's and the Company's receivables, contract assets and contract liabilities from contracts with customers.

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Receivables, which are included in 'Trade and other receivables'	**2,736,289**	4,189,260	**7,860,512**	2,948,605
Contract assets	**2,331,450**	1,959,235	**9,505,302**	4,418,561
Contract liabilities	**(1,863,783)**	(1,836,512)	**(2,105,229)**	(1,903,695)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers, for which the revenue recognition criteria are not yet met.

22.3 FUTURE REVENUES

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2020.

	THE GROUP			
	2021 €	**2022 €**	**2023 and beyond €**	**Total €**
Licence fees	**20,353**	**-**	**300,000**	**320,353**
Services fees	**1,314,737**	**43,461**	**391,820**	**1,750,018**

	THE COMPANY			
	2021 €	**2022 €**	**2023 and beyond €**	**Total €**
Licence fees	**20,353**	**-**	**780,000**	**800,353**
Services fees	**6,018**	**-**	**173,000**	**179,018**

22 REVENUE (Continued)

22.3 FUTURE REVENUES (Continued)

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019.

	THE GROUP			
	2020 €	**2021 €**	**2022 and beyond €**	**Total €**
Licence fees	194,751	-	-	194,751
Services fees	1,498,675	418,293	48,000	1,964,968

	THE COMPANY			
	2020 €	**2021 €**	**2022 and beyond €**	**Total €**
Licence fees	194,751	300,000	480,000	974,751
Services fees	41,941	125,000	48,000	214,941

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The Group also does not disclose information about the remaining performance obligations that have a fixed amount and for which the Group has a right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date in accordance with paragraph B16 of IFRS 15.

The above also excludes fees from transaction processing services that are recognised in terms of Note 4.16.2.1.

23 PROFIT BEFORE INCOME TAX

The Group's profit before income tax includes total fees charged by the auditors of the Company for:

	2020 €	2019 €
Statutory audit fees	**175,000**	115,000
Total fees payable to the Company's auditors for non-audit services other than other assurance services and tax advisory services	**30,000**	28,100

The fees payable to the auditors of the subsidiaries in relation to audit services amounts to €12,617 (2019: €12,003). Non-audit sevices cariied out on the subsidiaries, payable to the Company's auditors amounted to €36,490 (2019: €18,500).

23.1 OTHER INCOME

	THE GROUP		THE COMPANY	
	2020 €	2019 €	2020 €	2019 €
Unrealised operating exchange gains	**-**	22,931	**-**	34,516
Other income	**73,551**	36,075	**8,769**	29,808
Dividend receivable	**31,018**	5,415	**31,018**	5,415
	104,569	64,421	**39,787**	69,739

During the years ended 31 December 2020 and 2019, the Company was granted funds through schemes administered by Malta Enterprise, MITA and other government bodies. These schemes consist of both Maltese government schemes as well as schemes emanating from European Union funds. For 2020, grants amounted to €8,769 (2019: €29,808) which are captured as part of other income in the note above.

23.2 OTHER EXPENSES

	THE GROUP		THE COMPANY	
	2020 €	2019 €	2020 €	2019 €
Realised operating exchange losses	**55,710**	51,888	**59,508**	47,364
Unrealised operating exchange losses	**730,466**	-	**727,399**	-
Other expenses	**26,777**	59,402	**-**	-
	812,953	111,290	**786,907**	47,364

23 PROFIT BEFORE INCOME TAX (Continued)

23.3 IMPAIRMENT LOSS ON TRADE RECEIVABLES AND CONTRACT ASSETS

	THE GROUP		THE COMPANY	
	2020 €	2019 €	2020 €	2019 €
Decrease in provision for impairment loss on trade receivables	**(145,385)**	(32,877)	**(5,344)**	(32,877)
Increase in provision for impairment loss on trade receivables	**53,066**	114,391	**-**	-
Increase in bad debts written off	**111,354**	33,517	**-**	33,517
Increase in provision on contract costs	**1,045,586**	-	**-**	-
Impairment loss/(gain) on trade receivables	**5,427**	(2,000)	**1,000**	(2,000)
Impairment loss/(gain) on contract assets	**3,000**	(40,000)	**3,000**	(40,000)
	1,073,048	73,031	**(1,344)**	(41,360)

23.4 EXPENSES BY NATURE

		THE GROUP		THE COMPANY	
	Notes	2020 €	2019 €	2020 €	2019 €
Wages and salaries	27	**19,429,910**	14,106,547	**9,903,256**	8,789,591
Directors' emoluments	27	**1,377,007**	918,917	**1,257,007**	798,917
Non-competition benefits	27	**173**	323,849	**173**	322,866
Share-based arrangements	27	**271,560**	311,278	**(10,385)**	100,000
Subcontracted costs		**843,621**	471,618	**3,640,835**	2,993,352
Professional fees		**1,287,208**	1,777,588	**475,910**	501,845
Consultancy fees		**505,254**	517,851	**429,968**	418,333
Travelling expenses		**329,689**	1,389,264	**214,017**	929,703
Participation in fairs and seminars		**6,330**	162,043	**2,500**	145,788
Depreciation	8, 9	**1,104,994**	1,004,082	**375,935**	411,313
Amortisation	10	**939,304**	791,983	**877,640**	791,983
Impairment (loss)/gain on trade receivables	23.3	**24,462**	113,031	**(4,344)**	(1,360)
Impairment (loss)/gain on contract assets	23.3	**3,000**	(40,000)	**3,000**	(40,000)
Impairment loss on contract costs	23.3	**1,045,586**	-	**-**	-
Other expenses		**3,198,116**	2,310,827	**584,133**	138,103
		30,366,214	24,158,878	**17,749,645**	16,300,434

24 FINANCE COSTS AND INCOME

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Bank interest income	**1,409**	625	**115**	296
Interest on loans receivable	**10,435**	10,447	**72,085**	10,447
Discount unwind of trade receivable and accrued income	**-**	-	**9,387**	26,243
Change in fair value of interest rate swap	**8,836**	18,180	**8,836**	18,180
Interest income on finance leases	**19,928**	1,872	**-**	1,872
Finance income	**40,608**	31,124	**90,423**	57,038
Bank interest expense	**(242,105)**	(53,239)	**(242,050)**	(53,117)
Other expenses	**(29,975)**	(10,920)	**(29,036)**	(7,385)
Non-operating unrealised exchange loss	**(145,368)**	(20,917)	**(65,852)**	(19,228)
Interest expense on lease liabilities	**(64,100)**	(66,569)	**(13,551)**	(13,912)
Finance costs	**(481,548)**	(151,645)	**(350,489)**	(93,642)
Net finance costs	**(440,940)**	(120,521)	**(260,066)**	(36,604)

All the above items of finance income and cost are recognised in profit or loss.

25 INCOME TAX EXPENSE

25.1 RECOGNISED IN PROFIT OR LOSS

		THE GROUP		THE COMPANY	
Current tax expense	**Note**	**2020 €**	2019 €	**2020 €**	2019 €
Current tax charge for the year		**(2,237,153)**	(658,534)	**(2,220,786)**	(647,466)
Withholding tax on interest received		**(28)**	(50)	**(17)**	(44)
Foreign tax charge for the year		**(2,258)**	(1,023)	**-**	-
Other movements		**-**	-	**-**	(9,384)
		(2,239,439)	(659,607)	**(2,220,803)**	(656,894)
Deferred tax expense					
Origination and reversal of temporary differences	19	**(172,884)**	(429,217)	**57,598**	(308,952)
Income tax expense		**(2,066,555)**	(1,088,824)	**(2,163,205)**	(965,846)

25 INCOME TAX EXPENSE (Continued)

25.2 RECONCILIATION OF EFFECTIVE TAX RATE

The income tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
(Loss)/Profit before tax	**(3,888,863)**	(2,115,256)	**5,842,958**	2,452,698
Income tax using the domestic income tax rate of 35%	**1,361,102**	740,340	**(2,045,035)**	(858,444)
Effect of tax rates in foreign jurisdictions	**(1,293,342)**	17,504	**-**	-
Tax effect of:				
Non-taxable income	**13,562**	12,917	**6,378**	10,021
Non-deductible expenses	**1,351,168**	(1,095,732)	**(104,796)**	(109,050)
Different tax rates on bank interest income	**23**	59	**23**	59
Depreciation charges not deductible by way of capital allowances	**39**	(8,432)	**-**	(8,432)
Unrecognised deferred tax assets on unrelieved tax losses	**(2,194,492)**	(593,237)	**-**	-
Elimination of intercompany transaction	**(1,284,840)**	(162,243)	**-**	-
Other disallowed expenses	**(19,775)**	-	**(19,775)**	-
Income tax expense	**(2,066,555)**	(1,088,824)	**(2,163,205)**	(965,846)

26 EARNINGS PER SHARE

The calculation of basic EPS at the respective reporting dates is calculated on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year.

The EPS was derived by dividing the profit attributable to ordinary shareholders of the Group and the Company by 192,968,569 (2019: 192,968,569), being the equivalent weighted-average number of ordinary shares outstanding during the year.

During 2019, there was an increase in the number of ordinary shares held through a bonus issue (see Note 17). The calculation of EPS in 2019 had therefore been adjusted to be based on the revised number of shares held at the end of the respective year.

(Loss)/Earnings per share of the Group and the Company for the year ended 31 December 2020 amounted to -€0.020 and €0.019 respectively (2019: -€0.008 and €0.008 respectively).

27 PERSONNEL EXPENSES

Personnel expenses incurred by the Group and the Company during the year are analysed as follows:

		THE GROUP		THE COMPANY	
	Note	**2020 €**	2019 €	**2020 €**	2019 €
Directors' emoluments:					
Fees		**443,253**	301,542	**443,253**	301,542
Remuneration		**840,720**	529,733	**720,720**	409,733
Non-competition benefits	28	**-**	3,933	**-**	2,950
Indemnity insurance		**17,602**	12,210	**17,602**	12,210
Fringe benefits		**75,432**	75,432	**75,432**	75,432
Key management personnel emoluments:					
Remuneration		**2,407,482**	1,672,339	**1,134,401**	759,102
Non-competition benefits	28	**173**	319,916	**173**	319,916
Share-based arrangements	29	**233,268**	272,377	**(10,385)**	100,000
Fringe benefits		**12,163**	13,287	**7,213**	7,930
		4,030,093	3,200,769	**2,388,409**	1,988,815
Wages and salaries		**15,644,136**	12,403,034	**8,254,605**	7,520,921
Social security contributions		**1,366,129**	599,857	**507,037**	501,638
Share-based arrangements	29	**38,292**	38,901	**-**	-
		21,078,650	16,242,561	**11,150,051**	10,011,374

Personnel expenses incurred during the year include share-based arrangements. Other personnel expenses included in the above table are short-term in nature. Personnel expenses incurred during the year do not include long-term employment benefits nor employment termination benefits.

The weekly average number of persons employed by the Group and the Company during the year were as follows:

	THE GROUP		THE COMPANY	
	2020 No.	2019 No.	**2020 No.**	2019 No.
Operating	**268**	246	**191**	187
Management and administration	**80**	71	**52**	49
	348	317	**243**	236

27 PERSONNEL EXPENSES (Continued)

27.1 GOVERNMENT GRANTS

As disclosed in Note 2.1.2, RS2 Software INC. submitted an SBA Paycheck Protection Program (PPP) loan application which is pending final administrative approval to confirm that the aforementioned company is eligible for forgiveness. Throughout the application process and the forgiveness application, it was deemed that there was reasonable assurance that the entity was compliant with the relevant conditions of the grant.

Moreover, RS2 Financial Services GmbH and RS2 Zahlungsysteme GmbH also took advantage of COVID-19 schemes available to them and accordingly applied for a wage supplement covering the reduced hours worked by employees of these German entities during the initial lock-down period in 2020. These grants were approved and paid out by the German Government.

Payroll grants of €560,154 (2019: €nil) are netted off against personnel expenses of RS2 Group, in accordance with the requirements of IAS 20. There are no unfulfilled conditions or other contingencies attaching to these grants.

RS2 Group did not benefit directly from any other forms of government assistance.

28 POST-EMPLOYMENT BENEFITS

Non-competition post-employment benefits due to employees holding senior management positions are payable upon cessation based on an agreed fixed amount or the then applicable annual salary. Such benefits are commensurate to the non-compete clauses which bind personnel not to compete with the Company, or its subsidiaries, for periods ranging between one and three years. This liability is recognised in the statement of financial position and represents the present value of the defined benefit obligation as at 31 December 2020 based on the following:

i) Discount rate, determined by reference to market yields at the end of the reporting period. This discount rate is used to discount the liability to the net present value;

ii) The expectation of the respective employees' termination date; and

iii) The expected future salary growth in line with the Group's policies.

The discount rate is based on market yields arising on high-quality European Corporate Bonds. Such yields are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the estimated termination date. The Directors consider such rates to be an appropriate proxy to a high-quality corporate bond.

When estimating the expected years to retirement, the Directors considered the current age and the expected retirement age of key management personnel. It was concluded that an average of the remaining number of years each member of key management personnel is expected to work until retirement age, is a more realistic time period to consider compared to other term periods.

A reasonable growth rate was used when determining the future salary growth rates to be deployed in the valuation model, which assumption took into account the general percentage increases of the more recent years and also the Group's budgeted projections.

The movement in the liability is as follows:

	THE GROUP		THE COMPANY	
Post-employment liabilities	**2020 €**	2019 €	**2020 €**	2019 €
Present value at 1 January	**2,946,511**	2,529,916	**2,363,471**	1,923,907
Recognised in profit or loss:				
Discount unwind	**173**	4,736	**173**	3,753
New post-employment benefits recognised during the year	**-**	319,113	**-**	319,113
Post-employment benefit settled during the year	**(147,234)**	-	**-**	-
Recognised in other comprehensive income:				
Remeasurement adjustment	**1,274,237**	92,746	**1,267,290**	116,698
Present value at 31 December	**4,073,687**	2,946,511	**3,630,934**	2,363,471

28 POST-EMPLOYMENT BENEFITS (Continued)

The remeasurement adjustment is as a result of financial actuarial losses resulting from an adjustment in the annual salary of certain executives. The employment benefits recognised during 2019 relate to service costs for the employment of one of the executives.

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Non-current liabilities				
Employee benefits	**3,692,175**	2,687,855	**3,249,422**	2,252,049
Current liabilities				
Employee benefits	**381,512**	258,656	**381,512**	111,422

Post-employment benefit exposes the Group and the Company to the following risks:

i) Interest rate risk, since a decrease in market yield will increase the liability; and

ii) Longevity risk, since the longer the key management person remains in office the higher the liability.

The significant assumptions applied by the Company in respect of post-employment benefits were as follows:

	THE GROUP		THE COMPANY	
	2020	2019	**2020**	2019
Discount rates	**0% - 0.054%**	0.23% - 0.51%	**0% - 0.054%**	0.23% - 0.51%
Expected years to termination (weighted average)	**6.82 yrs**	6.25 yrs	**6.80 yrs**	6.48 yrs
Rate of projected salary increase	**3%**	3%	**3%**	3%

The cost of providing for these post-employment benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Due to the nature of the assumptions, in accordance with the provisions of IAS 19, the Group and the Company did not involve a qualified actuary in the measurement of their post-employment benefit obligations.

28 POST-EMPLOYMENT BENEFITS (Continued)

The Group and the Company are providing sensitivity analysis in connection with the key assumption applied. This analysis is prepared at the end of each reporting period and shows how the liability would be affected by such hypothetical changes in the assumptions that were reasonably possible at that date, while holding all other assumptions constant. The below sensitivity is for illustrative purposes only and may not be representative of the actual changes in the post-employment benefits obligation. This is due to the fact that it is unlikely that a change in assumptions would occur in isolation of one another.

- If the discount rate is 100 basis points higher (lower) with all other assumptions held constant, the net present value of the post-employment benefit obligation decreases by €220,683 (increases by €3,542) at Company level and €250,580 (increases by €3,542) at Group level.
- If the expected years to termination increases (decreases) by two years with all other assumptions held constant, the net present value of the post-employment benefit obligation increases by €197,267 (decreases by €173,574) at Company level and increases by €224,231 (decreases by €198,990) at Group level.
- If the salaries of key management personnel increase (decrease) by an additional 1% over the budgeted increase with all other assumptions held constant, the net present value of the post-employment benefit obligation increases by €233,493 (decreases by €208,821) at Company level and increases by €264,473 (decreases by €238,049) at Group level.

29 SHARE-BASED PAYMENT ARRANGEMENTS

At 31 December 2020, the Group had the following share-based payment arrangements.

29.1 RS2 EMPLOYEE SHARE OPTION SCHEME (EQUITY-SETTLED)

An RS2 Employee Trust was set up during the year ended 31 December 2010 to purchase and hold 750,000 ordinary shares in the Company in order to satisfy the future exercise of options by employees in accordance with the scheme.

The number of shares in respect of which share options were granted under the Scheme in a three (3) year period is limited to 2% of the issued share capital of the Company (850,000 shares), and options are exercisable at any time up to eight (8) years from the date on which the options are granted.

The scheme was implemented during 2011, being the first year of performance, and 2013, being the last year of performance.

There were 283,040 (2019: 283,040) share options outstanding at 31 December 2020. The weighted average exercise price amounted to €2.17 during the year ended 31 December 2020.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.2 PERFORMANCE-RELATED SHARE-BASED PAYMENT (EQUITY-SETTLED)

In 2017, the Company entered into an agreement with a newly recruited employee holding a senior management position whereby should the employee achieve a pre-set percentage over the agreed performance target linked to net profit over three consecutive calendar years commencing from date of employment, the Company, may at its absolute discretion, grant to the particular employee a one-time assignment of shares to the equivalence of a pre-agreed Euro amount. At the end of the three year period, the Board discussed the aforementioned employee's agreement and the respective benefit that could be awarded. As the Group is fulfilling its growth strategy, and is still heavily investing in territories such as the US and Germany, this is resulting in a net loss rather than a net profit. Despite this, the obligation to this employee is still being honoured by awarding the individual 85% of the total agreed upon compensation.

In this respect, as at 31 December 2020, a provision of €255,000 (2019: €265,385) is included in the Group's and Company's Other Reserves. The movement in this provision recorded during the year by the Group and the Company with respect to this member of key management personnel amounted to a reversal of €10,385 (2019: charge of €100,000) to reflect the change in estimate resulting in a 15% deduction from the original anticipated benefit.

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED)

In terms of an agreement entered into in February 2018, an executive (referred to as 'key management personnel' in Note 27) of RS2 Software INC. was granted 12,500 new shares in the subsidiary (the 'Award shares'), with certain vesting conditions and restrictions. In terms of the agreement, upon transfer of the Award shares to the individual, the latter obtained all the rights of a shareholder, including the right to vote and to receive any dividends with respect to such shares, provided however that the individual may not sell, transfer, pledge or assign unvested Award shares.

The Award shares shall vest monthly in equal instalments over a service period of 36 months with an accelerated vesting upon a Change of Control Event during the vesting period and with the requirement to forfeit all Award Shares (whether vested or unvested) in the case of termination or resignation during a fixed specified period from the date of grant.

The arrangement also includes the right by the company to repurchase and the right by the executive to sell the vested Award shares at fair market value in the case of termination or resignation happening after the expiration of a fixed specified period. The aforementioned executive's employment with RS2 Software INC. was terminated in December 2020, with all the remaining unvested shares becoming automatically vested in terms of the arrangement, and accordingly, the right to sell the vested shares was triggered.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED) (Continued)

In terms of agreements entered into in March 2019, five management personnel of RS2 Software INC. were granted 5,626 share options in the subsidiary (the 'share options'), with certain vesting conditions. The weighted average exercise price amounts to USD7.12. In terms of the agreement, upon vesting of the share options, the participant may exercise all or a portion of the options vested to the extent of the shares vested. Three of the five individuals terminated their employment, while the remaining two individuals signed an amendment to the original agreement granting the share options to be effective from their respective employment start date.

The share options shall vest to 75% after not less than three but not more than four years of continued service completed since the grant date and to 100% after not less than four years of continued service are completed since the grant date. Options will become fully exercisable and vested as of the time of a Change in Control with the requirement to forfeit share options (vested and unvested) in the case of termination for cause. Upon termination, all shares issued upon exercise of the options shall be subject to a call option by the company to repurchase at fair market value. Based on the terms of the contracts, it is concluded that the company has a present obligation to settle in cash, hence their classification as cash-settled share-based payment arrangements.

Following the termination of employment of the executive who held 12,500 shares, a management's third-party expert was engaged in order to assist in the valuation of the minority stake held in RS2 Software INC.. In order to estimate the Enterprise Value of the subsidiary, the income approach valuation methodology was applied.

The income approach indicates the value of a company based on the value of cash flows that the business is expected to generate in the future. Under this approach, management's expert applied four different scenarios. The basis of all scenarios are management projections from 2021 till 2025, with different assumptions being taken by the management's expert. At one extreme, only the committed revenues are considered, whilst at the other extreme, management's full revenue projections are considered.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED) (Continued)

The below table summarises the assumptions being taken:

Scenario 1	• Only confirmed (contracted) revenues are assumed. • No marketing costs are assumed. • Direct costs, administration expenses, and capitalised development costs are assumed pro-rata on management's projections.

Scenario 2	• Confirmed revenues as per Scenario 1, plus:
	  • 65% of committed transaction-based revenue;
	  • 55% of named clients expected to be contracted in the near term;
	  • 35% of other unnamed clients with whom agreements are still being negotiated; and
	  • 20% of provisional revenue.
	• Direct costs, administration expenses, marketing expenses, and capitalised development costs are assumed pro-rata on management's projections.

Scenario 3	• Confirmed revenues as per Scenario 1, plus:
	  • 80% of committed transaction-based revenue;
	  • 55% of named clients expected to be contracted in the near term;
	  • 45% of other unnamed clients with whom agreements are still being negotiated; and
	  • 40% of provisional revenue.
	• Direct costs, administration expenses, marketing expenses, and capitalised development costs are assumed pro-rata on management's projections.

Scenario 4	• Company will meet its projected revenues in full. • Direct costs, administration expenses, marketing expenses, and capitalised development costs as projected by management.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED) (Continued)

The key assumptions used in the calculation of the value as at 31 December 2020 are the forecasted net cash flows and the discount rate which are used in a risk-adjusted cash flow forecast, with the pre-tax discount rate used being 26.5% (post-tax: 21.9%).

During the year ended 31 December 2019, with the pre-tax discount rate used was 16.1% (post-tax: 13.3%).

In addition, the market approach has also been considered by the management's expert. Such an approach indicates the market value of the ordinary shares of a company based on a comparison to comparable entities in similar lines of business that are publicly traded or which are part of a public or private transaction.

The information provided to the management's expert, together with the underlying assumptions and valuation methodologies used, have been reviewed and agreed upon by the Board of the subsidiary.

The expense recognised in profit or loss during 2020 amounted to €281,946 (2019: €211,278) and the corresponding liability at year end amounted to €1,075,194 (2019: €793,248), which was computed on the graded vesting approach. In respect of the executive, 100% (2019: 91%) of the Award shares were vested by 31 December 2020. In respect of the share options relating to the management personnel of RS2 Software INC., 68% of the outstanding options were vested by 31 December 2020 (2019: 23%).

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Non-current liabilities				
Share-based payments	**77,194**	277,104	**-**	-
Current liabilities				
Share-based payments	**998,000**	516,144	**-**	-

30 CAPITAL COMMITMENTS

The Group and the Company have no capital commitments in 2021 and 2020.

31 CONTINGENCIES

A contingent liability may arise on certain claims against the Group on warranties arising in the ordinary course of the Group's business. Based on historical facts, the likeliness of any future warranty claims is deemed to be remote and thus not required to be disclosed.

32 RELATED PARTIES

32.1 PARENT AND ULTIMATE CONTROLLING PARTY

The Company is owned up to 50.04% by Information Technology Management Holding Limited ("ITM"), a local registered company, the registered office of which is 66, Old Bakery Street, Valletta, Malta. The ultimate parent company of the Group is RS2 Holding GmbH, a company registered in Germany. In his capacity as ultimate shareholder of ITM, Radi Abd El Haj indirectly holds 50.04% of the issued share capital of the Company.

32.2 IDENTITY OF RELATED PARTIES

The Company has a related party relationship with its parent company, its subsidiaries, the Company's key management personnel (including its Directors and the Company's senior management), and entities in which the Directors or their immediate relatives have an ownership interest and management entities that provide key management personnel services to the Group ("other related parties"). The compensation of such management entities amount to €79,535 (2019: €45,583) and is included in the table below as part of the legal and administrative services.

The Company uses the legal services of GTG Advocates in relation to advice given to the Company. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The Company also uses consultancy services by one of the Directors amounting to €39,303 (2019: €49,046).

Directors of the Company hold directly and indirectly 51.70% (2019: 51.70%) of the voting shares of the Company.

32 RELATED PARTIES (Continued)

32.3 RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2020 €	2019 €	**2020 €**	2019 €
Parent company				
Interest charged to	**10,455**	10,447	**10,455**	10,447
Subsidiaries				
Support services provided to			**12,053,767**	5,274,336
Support services provided by			**(3,361,020)**	(2,541,036)
Recharge of salaries to			**(29,001)**	1,121,506
Recharge of overheads to			**-**	226,096
Recharge of salaries by			**-**	172,696
Other related parties				
Depreciation charge on right-of-use asset	**172,000**	172,003	**-**	-
Interest expense on lease liability	**23,590**	26,099	**-**	-
Legal and administrative services provided by	**212,478**	126,579	**132,943**	80,996
Support services provided to	**4,501,673**	5,052,542	**4,501,673**	5,052,542
Support services not yet invoiced provided by	**-**	14,000	**-**	14,000
Support services not yet invoiced provided to	**974,144**	302,815	**974,144**	302,815

32.4 RELATED PARTY BALANCES

During the current and the prior year, the Group and the Company entered into transactions during the course of their normal business, with key management personnel. Transactions with key management personnel are set out in Notes 27 and 28 to these financial statements but are not included in Note 32.3. Additional information on amounts due to/by related parties is set out in Notes 14, 15, 20 and 21 to these financial statements. The amounts in Notes 15, 20 and 21 were unsecured, repayable on demand and did not bear any interest.

33 PROVISIONS AND CONTINGENT LIABILITIES

33.1 PROVISION FOR A LEGAL OBLIGATION

During the year ended 31 December 2020, an amount of $60,000 (€48,896) was provided for in relation to an ongoing dispute with a former employee of RS2 Software INC.. The aforementioned employee was terminated back in October 2019, served a wage demand in March 2020 and filed a Charge of Discrimination in June 2020. In December 2020 the US Equal Employment Opportunity Commission closed the charge.

During the first quarter of 2021, an out of court settlement agreement took place in respect of this legal obligation by RS2 Software INC.. The parties signed a settlement agreement in March 2021, resulting in an increase in provision of $40,000 (€32,597), totalling to $100,000 (€81,493) appropriately accounted for as at 31 December 2020.

33.2 CONTINGENT LIABILITY

The Company has an ongoing legal dispute initiated by an ex-employee related to an employment matter. The claim for past remuneration which would have fallen due to date are estimated to be in the region of €40,000 (excluding legal costs). Such amount may be mitigated if the individual found an alternative job in the interim period, and therefore the best estimate would be in the region of €24,000 (excluding legal costs). The matter is outstanding as at the date of these financial statements and it is uncertain of the likelihood of such case being awarded to the Company or third party.

34 SUBSEQUENT EVENTS

34.1 PREFERENCE SHARES IPO

The Group has developed a clear strategy for its accelerated growth backing on the Group, cutting-edge payment technology, and the current market opportunities.

The Group aims to strengthen its position in the market as one of the leaders in the global acquiring business and as an alternative to legacy payment processors and filling the void created by mega-mergers. In order to reach the goals, the Company has increased its Authorised Share Capital and in addition, created a new class of Preference Shares by way of an extraordinary resolution of the shareholders during an EGM held on 15 December 2020.

The increase of the authorised share capital would provide the Company with the capacity and flexibility needed to further increase its issued share capital in the near future to react in a timely manner to opportunities and to be able to bring on board strategic investors which will enhance shareholder value, if and as needed. Taken as a whole, the increase in the ordinary share capital and the creation of the new preference shares is being done in order to enable the planned growth, including, any necessary enhancement of the Group's BankWORKS® platform, further investment in North America and in the new acquiring business line, expanding the sales force to the various lines of businesses and selected M&A activities.

34 SUBSEQUENT EVENTS (Continued)

34.1 PREFERENCE SHARES IPO (Continued)

Subsequent to year end, the IPO was concluded successfully. A total number of 8,989,600 shares were subscribed for at the offer price of €1.75 per share. Such shares will carry a nominal value of €0.06 per share. The total proceeds generated through the IPO amounted to €15,731,800. The funds raised will enable the Company and the Group to effectively implement its strategy and continue on its growth path.

34.2 SALE OF OTHER INVESTMENT

In November 2020, management was informed that investment holders in a company incorporated in the United States of America, which company is engaged in the provision of end-to-end electronic payment platforms, were given an option to sell part or all of their holdings based on a specific valuation price. As management deemed this valuation to be reasonable, it expressed interest in disposing this investment in full, due to the fact that this is deemed to be no longer in line with RS2 Group's strategy. This sale is expected to be concluded during 2021. For further details, refer to Note 12.2.

34.3 BUY-BACK OF SHARES OF AN EXECUTIVE EMPLOYEE OF RS2 SOFTWARE INC. FOLLOWING TERMINATION OF EMPLOYMENT

In terms of an agreement entered into in February 2018, an executive (referred to as 'key management personnel' in Note 27) of RS2 Software INC. was granted 12,500 new shares in the subsidiary, with certain vesting conditions and restrictions. This executive's employment with RS2 Software INC. was terminated in December 2020. As a result, a management's third party expert has been engaged in order to assist in the valuation of the minority stake in RS2 Software INC (refer to Note 29.3). The valuation of the minority stake held by this executive in RS2 Software INC is still pending final approval by the Board of the subsidiary, and cash payment shall take place once agreement is sought by both parties.

34.4 PROVISION FOR A LEGAL OBLIGATION

During the first quarter of 2021, an out of court settlement agreement took place in respect of a legal obligation by RS2 Software INC. towards a former employee. The aforementioned employee was terminated back in October 2019, served a wage demand in March 2020 and filed a Charge of Discrimination in June 2020. In December 2020 the US Equal Employment Opportunity Commission closed the charge. The parties signed a settlement agreement in March 2021, resulting in an increase in provision of $40,000 (€32,597), totalling to $100,000 (€81,493) appropriately accounted for as at 31 December 2020.

34 SUBSEQUENT EVENTS (Continued)

34.5 IMPACT OF COVID-19 PANDEMIC

As disclosed in Note 2.1.2, the COVID-19 pandemic has, to date, not had any significant impact on Group and Company operations. Management do not foresee any further repercussions resulting from the pandemic, however, if it were to be the case that industries, such as the travel industry, do not recover as quickly as expected by the global market, then this might impact our forecasted revenue projections. These may need to be revisited in light of possible events which may continue to develop as a result of the global pandemic. Management do not envisage there to be any other negative impacts to the Group's operations in the years to come, specifically due to the pandemic.

35 COMPARATIVE INFORMATION

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with the International Financial Reporting Standards, and the requirements of the Maltese Companies Act (Cap. 386).

For the purpose of the Statements of Cash Flows, the bank overdraft has been treated as a cash equivalent in accordance with the Group's and the Company's accounting policy, with the effect of this reclassification being disclosed in Note 16. In 2019, this amounted to €3,779,498.

In Note 10.1, as at 31 December 2020, capitalised development costs relating to RS2 Software INC. and amounting to €1,086,112 were reclassified from "Other Software" to "Internally generated computer software" to better reflect their nature.

In Note 27, Director's emoluments previously classified as "Remuneration" and "Fringe benefits" amounting to €140,279 have been reclassified to "Fees" to better reflect their nature as at 31 December 2020.

Deloitte Audit Limited
Deloitte Place
Triq L-Intornjatur
Central Business District CBD 3050
Malta

Tel: +356 2343 2000, 2134 5000
Fax: +356 2133 2606
info@deloitte.com.mt
www.deloitte.com/mt

Company Ref No: C51312
VAT Reg No: MT2013 6121
Exemption number: EXO2155

INDEPENDENT AUDITORS' REPORT

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the individual financial statements of RS2 Software p.lc. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 60 to 191, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2020, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap.386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders)* Directive (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code.

Report on the audit of the financial statements (Continued)

Basis for Opinion (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below pertains to the audit of both the individual and the consolidated financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill relating to the Group's US and German operations recognised in the consolidated financial statements

Under IFRSs, the Group is required to annually test the amount of goodwill recognised in the consolidated financial statements for impairment. These impairment tests are significant to our audit because the amount of goodwill as at 31 December 2020 relating to the Group's US operations amounted to EUR0.6m and the amount of goodwill that arose on the acquisition of Kalicom business in Germany during the year amounted to EUR1.3m and these amounts are material to the consolidated financial statements. In addition, the directors' assessment process is highly judgmental and is based on assumptions, such as forecasted business growth rates, profit margins, weighted average cost of capital and effective tax rates, which are affected by expected future market or economic conditions.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Impairment testing of goodwill relating to the Group's US and German operations recognised in the consolidated financial statements (Continued)

Our audit procedures to address the risk of material misstatement on this matter included:

- Involving an internal valuation specialist to assess the Group's impairment methodology determined from value-in-use calculations and the key assumptions applied by the directors for this purpose.
- Performing sensitivity analysis of the impairment testing calculations to changes in key inputs such as the projected growth rate and the weighted average cost of capital.
- Reviewing the impairment testing calculations for reasonability, mathematical accuracy and consistency.

We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

The Group's disclosures about goodwill are included in note 10, which specifically explains that the directors have assessed the carrying amount of goodwill as at 31 December 2020 to be recoverable and that there is no impairment in the value of the goodwill.

Impairment testing of investment in US subsidiary and German subsidiary held by the Company in the individual financial statements

As at 31 December 2020, the Company held an investment with a carrying amount of EUR10.7m in its US subsidiary, RS2 Software Inc., which reported a loss for the year ended 31 December 2020 of EUR5.1m. The Company performed an impairment assessment of its investment in this subsidiary by computing its value-in-use in conjunction with the testing of impairment of goodwill arising on the US operations.

In addition, as at 31 December 2020, the Company also held an investment with a carrying amount of *EUR1.1m* in the German intermediate holding company, RS2 Merchant Services Europe GmbH, which reported a loss for the year ended 31 December 2020 of *EUR0.9m*. The Company performed an impairment assessment of its investment in this subsidiary by computing the value-in-use arising from the two subsidiaries held by RS2 Merchant Services Europe GmbH, comprising the business of Kalicom purchased during the financial year and the acquiring business being developed by RS2 Financial Services GmbH.

The carrying amount of these investments are material to the Company's financial statements and the directors' assessment process is highly judgmental and is based on assumptions, such as forecast business growth rates, profit margins, weighted average cost of capital and effective tax rates, which are affected by expected future market or economic conditions.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Impairment testing of investment in US subsidiary and German subsidiary held by the Company in the individual financial statements (Continued)

Our procedures to address the risk of material misstatement arising on this matter included:

- Involving an internal valuation specialist to assess the Company's impairment methodology determined from value-in-use calculations and the key assumptions applied by the directors for this purpose.
- Performing sensitivity analysis of the impairment testing calculations to changes in key inputs such as the projected growth rate and the weighted average cost of capital.
- Reviewing the impairment testing calculations for reasonability, mathematical accuracy and consistency.

We also focused on the adequacy of the Company's disclosures in notes 10 and 11 about the key assumptions that were used in the value-in-use calculations which have the most significant effect on the determination of the recoverable amount of the investments in subsidiary. The Company's disclosures specifically state that the recoverable amount of each of these investments in subsidiary was determined to be higher than its carrying amount.

Information Other than the Financial Statements and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises (i) the Who We Are section, (ii) the Chairman's statement, (iii) the CEO's statement, (iv) the Board of Directors' section, (v) the CSR statement, (vi) the Directors' Report, (vii) the Corporate Governance Statement of Compliance (viii) the Remuneration Report, (viii) the Statement of Directors pursuant to Listing Rule 5.68,(ix) Company Information and (x) the Directors' responsibilities for the financial statements.

However, the other information does not include the individual and consolidated financial statements and our auditor's report thereon.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386) and on the Corporate Governance Statement of Compliance and on the Remuneration Report in accordance with the Listing Rules issued by the Maltese Listing Authority, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Information Other than the Financial Statements and the Auditor's Report Thereon (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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 in this regard.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of article 177 of the Companies Act (Cap. 386), and the statement required by Listing Rule 5.62 on the Company's and the Group's ability to continue as a going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 30 to 41, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the individual and consolidated financial statements are prepared is consistent with those financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the Directors and the Audit Committee for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities on page 58, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Companies Act (Cap.386), and 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.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Responsibilities of the Directors and the Audit Committee for the Financial Statements (Continued)

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group'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 and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the Company's and the Group's financial reporting process to the Audit Committee.

Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 auditor's report that includes our opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

In terms of article 179A(4) of the Companies Act (Cap.386), the scope of our audit does not include assurance on the future viability of the Company and the Group or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company and the Group. The financial position of the Company and/or the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As such, our audit report on the Company's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company and/or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and/or the Group and to identify any facts or circumstances that may be materially relevant thereto.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's and/or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's and/or the Group's ability to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on the audit of the financial statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Corporate Governance Statement of Compliance

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company's annual financial report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Listing Rule 5.97.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's annual financial report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Listing Rule 5.97.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on Other Legal and Regulatory Requirements (Continued)

Report on Corporate Governance Statement of Compliance (Continued)

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 42 to 51 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Report on Remuneration Report

Pursuant to Listing Rule 12.26K issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the Directors are required to draw up a Remuneration Report, whose contents are to be in line with the requirements listed in Appendix 12.1 of the Listing Rules.

Our responsibility is laid down by Listing Rule 12.26N, which requires us to check that the information that needs to be provided in the Remuneration Report, as required in terms of Chapter 12 of the Listing Rules including Appendix 12.1, has been included.

In our opinion, the Remuneration Report set out on pages 52 to 55 includes the information that needs to be provided in the Remuneration Report in terms of the Listing Rules.

Matters on which we are required to report by exception under the Companies Act

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper returns adequate for our audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records and returns; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We have nothing to report to you in respect of these responsibilities.

Deloitte.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of RS2 Software p.l.c.

Report on other legal and regulatory requirements (Continued)

Auditor tenure

We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group on 19 June 2018 for the financial year ended 31 December 2018, and were subsequently reappointed as statutory auditor by the members of the Company on an annual basis. Accordingly, the period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity including previous reappointments of the firm is three financial years.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of article 11 of the EU Audit Regulation No. 537/2014.

David Delicata as Director
in the name and on behalf of
Deloitte Audit Limited
Registered Auditor
Central Business District,
Birkirkara, Malta.

29 April 2021

RS2.COM

RS2 Software p.l.c,
RS2 Buildings, Triq Il-Fortizza,
Il-Mosta MST 1859
Malta

Tel: +356 2134 5857
Email: info@rs2.com