RS2

together beyond payments

Annual Report & Financial Statements

2021

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Annual Report

RS2

Global Reach with Local Presence

1
Single platform for all payment methods across the globe

30+
Years of experience

7
Offices worldwide

480
Employees

35
Countries

250
Banks & PSPs served

16 Million
Merchants served indirectly

80 Million
Transactions per hour

350 Million
Cards issued

25 Billion
Transactions processed per annum

200+
Supported currencies

8.6K
Authorizations

Who We Are

A global technology leader

- shaping the future of payments

RS2 Group is one of the world's leading providers of omni/multichannel payment software and end-to-end payment solutions for both issuers and acquirers on a single payment platform.

The Group has over a 30-year history of designing and operating payment technologies and solutions for a wide range of customers across various industries such as banking, e-commerce and retail.

With seven offices spread across the globe, the Group provides innovative, sustainable, secure payment solutions and services along the entire payment value chain, and is today the technology partner of choice for 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 the Middle East.

The Group's cutting edge payment solutions are used by more than 250 customers in 35 countries, allowing its customers to provide services to more than 16 million merchants and over 350 million cards around the globe through the various business lines of the Group. Among these customers are 5 of the top 20 multinational and local acquirers.

Following the approval and issuance of an Electronic Money Institution (EMI) license by the German regulator, the German Federal Financial Supervisory Authority (BaFin), for the Group's subsidiary RS2 Financial Services GmbH, the Group is now continuing its exciting journey towards becoming a leading, full service, global payments player.

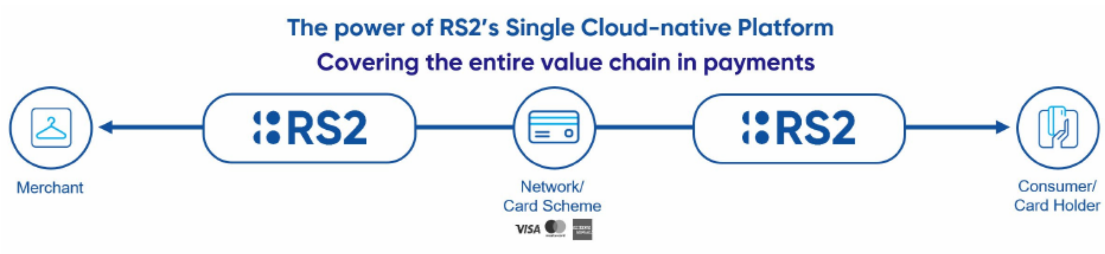
One single platform

- enabling global commerce

The Group's BankWORKS® platform is built on a state-of-the-art Application Programming Interface (API)-based micro services technology, providing end-to-end payment, such as payment gateway, switching of payment transactions originated from Point-of-Sale (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.

Who We Are (Continued)

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.



Business Lines

- covering the entire payment value chain

The Group provides a fully integrated, digital omni-/multichannel payment solutions as well as value-added services across the entire payments value chain through three global business lines.

Processing Solutions

- Processing of payment transactions utilising BankWORKS® software

A full-feature end-to-end processing solution for issuing and acquiring through a single integration to RS2's unique BankWORKS® cloud platform. Customers can manage their entire payment services such as authorisation, on boarding, payment gateway, security and fraud, chargebacks, reconciliation, and settlement as well as optimise their interchange.

- Processing of payment transactions utilising BankWORKS® software;
- PAAS on a private/public cloud solution for acquiring, issuing, clearing and settlement covering multiple Omni channels;
- Provision of installation services (setup); and
- Other services including statements, chargebacks, merchant portal and e-commerce gateway.

Who We Are (Continued)

Software Solutions

- Licensing of BankWORKS® software to banks and financial institutions

RS2's modular, highly scalable, and flexible software solutions are developed in-house and cover all areas of payment, including card issuance, merchant acquiring, clearing and settlement, online switching and authorisation, PIN management, customer services, e-commerce, and dispute and fraud management, allowing its customers to rapidly and cost-effectively set up their system by configuring only those products and modules required for business.

The Group provide flexible collaboration models to suit customers' business needs:

- Term or perpetual licenses for banks and financial institutions to utilise its BankWORKS® issuing and acquiring platform;
- Installation depending on size and scope of installation;
- Customisation, implementation, and installation services;
- Upgrades, enhancements, customisation and on-going support for its BankWORKS® platform, as well as updates mandated by international card organizations;
- Additional services, including but not limited to onsite support for testing, implementation and training beyond the originally defined scope of the initial implementation; and
- Value Added Services.

Merchant Solutions

- Offering issuing and acquiring payment solutions directly to merchants

The Group's subsidiary RS2 Financial Services GmbH holds an EMI-Licence from the German regulator, BaFin, enabling 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-/ multichannel payments offering them one-stop-shop services including but not limited to:

- E-Commerce (card not present) incl. Payment Service Provider (PSP) Services
- Card present (incl. POS Terminals & Network Services)
- InAPP-Payments
- Payment Gateway
- Chargeback Management
- Call Centre Services
- Issuing of Prepaid Cards
- Fraud and Risk Monitoring Services
- Reporting and Reconciliation
- Interchange Optimisation
- Smart Routing increasing the approval rate
- Dynamic Currency Conversion
- Instalments
- Recurring Payments

The Group has achieved important milestones across all business lines.

Mario Schembri
Chairman

Chairman's Statement

2021 was a very successful business year for the Group. Despite the continued uncertainty brought about by the pandemic, the Group has achieved important milestones across all business lines and it is my pleasure to confirm that the Group has exceeded its profitability projections for the year.

During 2021, the Group remained focused on implementing and delivering its strategy of expanding its clients base and providing superior products and services in different markets throughout Europe, Middle East, North America, LATAM, and APAC. Across all its strategic priorities, the Group has made strong progress and executed its objectives efficiently.

In the Merchant Solutions business, the Group achieved a major milestone when it obtained an EMI license from the German regulator, BaFin. The EMI license enables the Group to manage merchant funding, provide acquiring services and to issue payment instruments.

The Group has launched its acquiring business managed by RS2 Financial Services GmbH in Q2 2022 in Europe. We expect this to result in a substantial change in the Group's revenue model losing its dependence on one-time license fees and moving towards ongoing and recurring revenue streams based on transaction volumes processed.

In the Processing Solutions business, the Group has more than doubled the volume of transactions processed on its platform from its existing clients as well as through the on boarding of new clients. The pandemic has accelerated the shift to digital financial transactions and electronic payments as people embrace remote and hybrid working and living.

This shift toward digital payments has also made a marked impact on the Group's Processing Solutions business by driving up transaction volumes. This trend will continue to be a positive catalyst for the Group's further organic and inorganic growth. In addition, the Group has won several new major outsourcing clients in Singapore, Indonesia and Australia.

On the Software Solutions business side, the Group has sealed a processing outsource agreement with one of the largest banks in the United States, on a hybrid licensing and processing model to deliver Global Acquiring and Issuing Services, further endorsing the power of our platform. The Group will continue to deliver services to PayFacs, ISVs and ISOs and to attract tier one financial institutions and banks of all sizes that are increasingly opting for outsourcing models for their payments processing operations in order to lower costs, reduce complexity and risks.

Chairman's Statement (Continued)

I would like to take this opportunity to thank our team members across the world for their continued hard work, our Chief Executive Officer (CEO) who has worked tirelessly to grow the Group's business and our Board of Directors for their support throughout the year.

I would also like to thank our shareholders, clients and partners for their continued trust and support. We are in a strong position to deliver on growth and I am confident of continued success in the coming year.

We look forward to continuing this journey together – beyond payments.

Mario Schembri

Chairman

27 April 2022

Thanks to the outstanding effort of the RS2 Team, the Group has made very strong progress, executing the majority of its key strategic objectives, locally and globally positioning the Group to become the leader in the payment Industry.

Radi Abd El Haj
Chief Executive Officer

CEO's Statement

2021 results have proven that the strategy of the Group is materialising and continues to gain momentum. This is evident in the results of the Group derived from ongoing business with current partners and clients, as well as new contracts entered into in various regions. This confirms the robustness of the Group's strategy and the structure of the Group which supports the acceleration and the scale of the business globally.

Strong Business Performance in 2021

The Group has delivered the planned growth, including scaling of operations of business, during the fiscal year 2021. Despite the delays in some expected revenue resulting from unforeseen circumstances and dependencies on third party deliverables, all other projected revenues were met, thereby allowing the Group to successfully turn around its financial performance into a respectable profit, which not only meets but exceeds projected results. Such results are the reward for the tireless commitment, flexibility, and strong cohesion of our colleagues, Management and Board of Directors.

With the on boarding of new clients and the acceleration of digitalisation during the COVID-19 pandemic, the Group has more than doubled the volume of transactions processed on the RS2 Smart Processing Limited platform during 2021 when compared to those processed in the recent past. This increase is expected to continue to progress with a gradual increase generated by the Group's existing clients as well as the on boarding of new clients.

The Group executed strategic milestones to increase its customer base and diversify its global business across various regions. These include the following:

- In Europe, the Group achieved a major milestone by obtaining an EMI license by the German regulator, BaFin, that is crucial for the execution of the Group's strategy expanding its business globally. Looking forward, following a passporting process, the e-money license will enable the Group to provide a wide range of payment acceptance and other financial services to merchants and consumers across Europe. The Group has launched its acquiring business managed by RS2 Financial Services GmbH in Q2 2022, in Europe.

- In LATAM, the Group continued to increase its customer base in Mexico, Chile and Peru. In Brazil, the Group has rolled out its Omni channel acquiring services to new clients, and processed over two hundred million transactions. In Argentina, the Group enabled its services to an existing customer in the region to enable its merchant acquiring.

CEO'S Statement (Continued)

- In North America, the Group invested further in its US subsidiary to continue with its successful market entry and delivering services to PayFacs, ISVs, and ISOs. At the same time, it continued to attract large enterprises to process their local and international businesses. The Group successfully entered into major processing outsourcing agreements with various payment providers such as ISOs and PayFacs. Significantly, the Group has signed on one of the largest banks in the US on a hybrid licensing and processing model, which shows the reputation and the capabilities of the Group from the technology and delivery perspective which continues to attract tier-one financial enterprises to partner with RS2 to deliver Global Acquiring and Issuing Services.

- In APAC, the Group has added new major outsourcing clients in Singapore, Indonesia, and Australia. These clients will increase the Group's APAC customer base, adding to existing customers in New Zealand, the Philippines, Malaysia and Vietnam. In Indonesia, the Group will be providing acquiring and issuing outsourcing services to a subsidiary of a major financial group in the region.

Delivering On Our Strategic Priorities

The Group has made strong progress and executed all of its key strategic priorities at a steady pace. This will strongly position the Group to increase the pace of its growth into 2022 and beyond.

In 2021, the Group remained focused on its strategy of growing and expanding its Managed Services business and accelerating its global expansion, as well as commencing its Direct Merchant Acquiring and Issuing Services in Europe and the US.

The Group's subsidiary RS2 Financial Services GmbH achieved a major milestone by attaining an EMI license from the German regulator, BaFin that is crucial for the execution of the Group's strategy to expand its business globally. The EMI license will enable customers to access a variety of services related to payments and financial instruments, combined with a wide range of tools, enabling them to run their business more efficiently while also having real-time access to financial data, reporting, reconciliation and invoicing. Managing both issuing and acquiring on the same platform, RS2 Financial Services GmbH will create a unique customer experience for both merchant and consumer by providing tailor-made services, allowing them to transact and shop within a trusted business environment.

The Group continued to expand its outsourcing business through its subsidiary, RS2 Smart Processing Limited, by increasing the number of services offered for existing customers, enabling them to enter into new markets consolidating their global business. At the same time, we will offer direct services to the merchants mainly in Europe and follow them internationally utilising the global Acquiring and Issuing platform capabilities.

CEO's Statement (Continued)

RS2 Smart Processing Limited started the transformation phase to a standalone processing business with respective allocation of tasks and full time equivalent (FTE) in order to:

- Standardise product and service offering to improve time to market and profitability;
- Sell more existing capabilities in existing markets and create a Software as a Service (SaaS) / Small to Medium Enterprise (SME) model for lean set up and configuration to enrol clients in a couple of weeks instead of months;
- Implement the products and services capabilities, such as Diners, Amex, UPI and JCB; and
- Finalise a command centre to service our clients around the globe.

With the on boarding of new clients, the Group has more than doubled the volume of transactions processed on the RS2 Smart Processing Limited platform during 2021 when compared to those processed in recent times. This increase is expected to continue to progress with a gradual increase from Group's current clients as well as through the on boarding of new clients.

Technology and Platform Update

On the technology front, we commenced the redesign of our platform to become a complete micro-services environment, by enhancing its stability and increasing our offering by implementing a wide range of APIs, while also reducing our costs and dependency on specific software, which in return will increase our margins.

The Group has also concluded its roadmap for the next products and services deliverable to be introduced to the market using the EMI license. This will include a variety of merchant and consumer services delivering full scope of payment and banking services including issuing, integrated payments, omni-channel acquiring and other value added services.

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 merchants 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.

CEO's Statement (Continued)

The aim is to eventually leverage the Group's network to offer truly global Issuing and Acquiring services and products to our customers allowing them to control their business and access their data in real-time to mitigate their risk, anticipate their revenue and expenses, and manage their cash flow.

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 enabling our US subsidiary to continue its successful market entry and delivering services to PayFacs, ISVs and ISOs, while at the same time continuing to attract large processing clients.

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 on their global expansion.

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 would not be successful, and our Management and Board for supporting us throughout our journey and the support of our esteemed shareholders for believing in us and for whom we will be doing our best to offer the best reward that they deserve.

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

Let's be together - beyond payments.

Thank you for your continued support and dedication.

Radi Abd El Haj

Chief Executive Officer

27 April 2022

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.

Board of Directors (Continued)

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 at 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 and Compliance 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.

Board of Directors (Continued)

John Elkins

Non-Executive Director

Mr. Elkins currently serves on the boards of FINCA International, ELATERAL Ltd., Travelex Inc. and RS2 Software p.l.c.. 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.

Board of Directors (Continued)

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, corporate acquisitions, regulatory and compliance matters. 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


KSU Freshers' Week


Ladybird Foundation


Hybrid Automobiles


Student Interns


Kavallieri Handball Club

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.

Corporate Social Responsibility

RS2's Corporate Social Responsibility (CSR) strategy is aligned with the Company culture and values embedded in its ethical principles. Within the RS2 Group, we are committed to creating value and building a sustainable future for our customers, team members, shareholders and the broader community in which we operate.

RS2's social responsibility activities are primarily focused on strengthening global communities, supporting people, education, philanthropic organisations, sports clubs and improving the environment. We are dedicated to continuous improvement and we are committed to evolving our environmental, social and community initiatives going forward. Our priorities fall under three pillars: People, Social Initiatives and Environment.

People

Building a thriving, diverse, inclusive workplace. Our team members are one of RS2's greatest strengths. Furthermore, we believe that a company culture focused on diversity and inclusion is the key driver of creativity and innovation. We therefore strive to make RS2 a great place to work and foster a culture of inclusion and diversity where all team members are treated with respect and equality, regardless of gender, ethnicity, sexual orientation, gender identity, religious beliefs or other characteristics. At RS2, we have more than 480 team members with 51 different nationalities which highlights our diversity. Our female team members comprise 33.5% of the Company and we are focused on increasing the proportion of women in all levels of the Group. Having a team from diverse backgrounds helps bring fresh ideas and drives innovation, advancing RS2's growth and success.

Learning and Developing Skills. The skills and competencies of our team members are important for RS2's growth and lasting success. With comprehensive training and development programs, RS2 continuously supports our teams to further develop their skill set. The Company's Trainings Academy provides a variety of comprehensive virtual and instructor-led courses that focus on technical, business and IT skills to strengthen and enrich team members' expertise. Furthermore, RS2's Compliance Portal gives access to legal, ethics and global compliance training. Through videos, interactive sessions and short quizzes, our teams enhance their knowledge and professionalism, ensuring adherence to legal regulations and the ethical use of data and resources to help prevent conflicts of interest. All team members and managers are obligedto receive the Compliance trainings which cover courses such as Anti-Fraud and Payments Handling, General Data Protection, Payment Card Industry Data Security Standards and Security Awareness and Information security.

Improving Mental Health & Well-Being. The COVID-19 pandemic also posed a mental health challenge for individuals. In support of team members' emotional health and their overall well-being, we encouraged all team members to join several virtual mental health sessions, organised by our Human Resources team in collaboration with the Richmond Foundation. Since the Company deployed working from home during that time, the Human Resources team kept everyone's morale up with surprise home deliveries of plants and holiday treats.

Corporate Social Responsibility (Continued)

Attracting New Talents. Our recruitment process starts at universities, giving RS2 the opportunity to meet potential candidates and to identify future professionals. RS2 frequently participates in university fairs, including KSU Malta Careers Expo and KSU Freshers' Week at the University of Malta, as well as the ICTSA Industry Expo organised by the Faculty of ICT at the University of Malta. Furthermore, our Human Resources team nurtures a close relationship with the faculties and universities, helping to unlock a talent pool of well-educated and high-potential students.

Social Initiatives

RS2 is committed to positively contribute to society by leveraging our knowledge and actively supporting local communities.

Promoting Education. 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 for RS2 to gain prospective new employees with new talents.

Supporting Communities. RS2 supports various philanthropic organisations as well as numerous sports and culture 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. In the reporting year, RS2 has supported the following organisations in Malta, Philippines and Germany:

- Dar tal-Providenza
- Puttinu Cares
- L-Istrina
- Dar Merhba Bik
- Women for Domestic Violence
- Smiling for Jerome
- Ladybird Foundation
- Cystic Fibrosis Fundraising
- Ramon Aboitiz Foundation in the Philippines
- MCAS
- Kavallieri Handball Club
- Kings Cup Youth Soccer Tournament – Spielvereinigung 03 Neu-Isenburg e.V.

All of RS2's CSR activities 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.

Corporate Social Responsibility (Continued)

Environment

RS2 remains committed to minimise our footprint on the environment by reducing our energy consumption, limiting waste and conserving water across our facilities globally. We encourage all team members to engage themselves on environmental and sustainable matters.

Reducing our environmental footprint. The business model of RS2 in essence has minor environmental impact. While our global digital platform eliminates paper usage, saving trees, conserving water and mitigating climate change, our operations impact the environment. However, RS2 is still committed to reduce its environmental footprint by increasing the eco-efficiency of our data centres, offices and reducing of business travels. As part of our CO_2 reduction effort, RS2 has started replacing the majority of its car fleet with hybrid vehicles. Adopting these hybrid technologies will help reduce RS2's carbon footprint due to less fuel consumption resulting in lower CO_2 emissions. To further limit paper usage in the offices, RS2 utilises digital signatures for a large number of administrative purposes.

Using water efficiently. Since water is the source of all life, RS2 is taking all possible measures to use water more efficiently and has also implemented conserving practices such as water-efficient landscaping across our office footprint. In our building in Malta, the Company uses rain water collected in an underground reservoir for planned and controlled irrigation through the use of automatic control timers and feeders. This ensures the optimisation of water usage according to crop type and season.

Using electricity efficiently. Reducing energy use lowers the running costs and protects the climate at the same time. The Company already made important steps to use electricity efficiently by converting to LED lighting in its offices and implementing motion sensor lights to conserve energy.

Reducing waste. We aim to drive a culture of continuous environmental improvement by disposing and separating waste generated by our Company in a safe and responsible manner in the necessary bins placed in various key areas. The generated waste and disposal methods are measured and reported to ensure we are making progress in our effort to reduce waste.

RS2 is confident that it will continue to achieve a balanced and holistic value for its stakeholders 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. We will continue to innovate and evolve our efforts going forward.

RS2

Directors' Report

For the year ended 31 December 2021

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 (collectively referred to as the "Group"), for the year ended 31 December 2021.

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 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

2021 has proven to be a year of continued execution of strategy to deliver the planned growth of the Group.

During the financial year ending 31 December 2021, RS2 Group added new countries to its client base in both the APAC and LATAM regions.

Directors' Report (Continued)

In APAC, the Group engaged in deploying new customers on its cloud in Singapore, Indonesia and Australia, while in LATAM the Group increased its customer base in both Brazil and Columbia. With the on boarding of new clients, RS2 has more than doubled the volume of transactions processed on the RS2 Smart Processing Limited platform during 2021 when compared to those processed in prior years. This increase is expected to continue to progress with a gradual increase from the Group's current clients as well as through the on boarding of new clients.

The Group's investment in human resources provided the necessary support in order to successfully launch the new acquiring business and obtain the EMI License, through BaFin. This will enable RS2 to provide a wide range of payment acceptance and other financial services to merchants and consumers across Europe, as well as to process cross-border merchant payments globally. The new acquiring business will also bring about a substantial change in the revenue model for RS2 Group, from dependence on one-time license fees to ongoing and recurring revenue based on the number and value of transactions processed. The launch of the Group's Financial Services sector, following the acquisition of its EMI license, was concluded successfully in the second quarter of 2022.

In the first half of 2021, RS2 Software p.l.c. successfully raised €15,731,800 in its Preference Shares Public Offering (PO). A total number of 8,989,600 shares were subscribed for at the offer price of €1.75 per share. Such shares carry a nominal value of €0.06 per share. In line with the Group's business strategy, the additional liquidity generated from the Preference Shares PO has enabled it to accelerate growth over the coming years by further investing in both the US and Merchant Solutions arms of the Group, as well as a number of internal projects and infrastructure.

During the year under review, the Company registered revenues from its principal activities of €24.5m (2020: €23.8m) and a profit before tax of €5.3m (2020: €5.8m). 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 €7.5m (2020: €4.0m) and a profit before tax of €2.1m (2020: loss before tax of €0.2m) while RS2 Software INC., which serves as the US arm of the Group with specific focus on the provision of Managed Services in North America, recorded revenues of €16.1m (2020: €8.9m) and a profit before tax of €0.8m (2020: loss before tax of €5.1m). RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. 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 €38.7m (2020: €26.8m) and registered a profit before tax of €6.4m (2020: loss before tax of €3.9m). At 31 December 2021, the Group's total assets amounted to €47.6m (2020: €38.1m), whereas its current assets exceeded its current liabilities by €7.5m (2020: current liabilities exceeded its current assets by €9.1m). The Board of Directors therefore 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.

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 8 to 12 of this Annual Report.

Directors' Report (Continued)

Going Concern

Management has prepared a going concern assessment for RS2 Group, based on the 2021 financials whilst also taking into consideration approved budgets covering periods 2022 to 2024.

At the start of the COVID-19 pandemic, RS2 Group reacted quickly and seamlessly, 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 had on the Group's performance. The Software (Licensing) Solutions business is a stable business with a large part of revenues being contracted revenues. The Processing Solutions business generated higher revenue when compared to the previous year despite implications brought about by COVID-19. The business of RS2 Software INC. in the US is also significantly contributing to the revenue growth of the Group, albeit slower than originally anticipated, primarily due to a delay in the launch of the ISO business, which was successfully launched in the first quarter of 2022.

RS2 continues to observe the economic landscape to assess potential risks to its future operations. Climate change is a topic increasingly gaining momentum because of its potential effect on companies' business models, cash flows, financial position and financial performance. While most industries are likely to be affected by climate change and efforts to manage its impact, some will be more affected by others. The Group is currently not aware of any present indicators but will continue to monitor the situation so that if any indicators arise through its customer base, supply chain, bankers, insurers, investors or jurisdiction, these will be disclosed and reflected accordingly in the Group's Annual Report.

From a profitability point of view, in 2022, both Software (Licensing) and Managed Services Solutions are expected to continue delivering a positive bottom line contribution with the Merchant Solutions arm of the Group expected to start generating a positive bottom line contribution as from 2023.

On the other hand, from a liquidity perspective, RS2 Group has a solid cash position. The funding generated from the preference share issue enabled the Group to effectively implement its strategy, without the need for any short-term bank borrowings for working capital requirements. RS2 Software p.l.c. has a credit line of €10m available with a local bank, to meet any future working capital requirements.

In this respect, the Board of Directors is confident that the Group can, not only continue to operate as a going concern for 12 months from the end of the reporting period, 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.

Directors' Report (Continued)

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 US, 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 in 2020. This acquisition provided 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.

Directors' Report (Continued)

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 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 property 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)

Dividends

No dividends are being recommended for the year ending 31 December 2021 (2020: NIL).

Reserves

Retained earnings amounting to €22.8m (2020: €19.2m) for the Company and €5.0m (2020: €1.8m) for the Group are being carried forward.

Key Figures

The Group	**2021**	**2020**	**2019**	**2018**	**2017**
	€	**€**	**€**	**€**	**€**
Revenues (Eur 000s)	38,680	26,813	22,100	25,008*	17,380
EBITDA (Eur 000s)	8,760	(1,464)	(210)	7,846	2,895
EBITDA margin (%)	22.65%	-5.46%	-0.95%	31.37%	16.66%
Profit/(loss) before tax (Eur 000s)	6,416	(3,889)	(2,115)	6,565	1,226
Earnings/(Loss) per ordinary share	€0.02	-€0.02	-€0.01	€0.03	€0.01
Earnings per preference share	€0.02	-	-	-	-
Equity to asset ratio (%)	53.41%	18.56%	44.28%	61.51%	69.91%
Debt/equity ratio multiple	0.87	4.39	1.26	0.63	0.43

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

As from 1 January 2021, fines and penalties started to be accounted for under Other Expenses instead of under Finance Costs. As such, EBITDA and EBITDA margin figures between 2017 and 2020 have been re-stated accordingly.

Subsequent Events

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. A management's third party expert was engaged in order to assist in the valuation of the minority stake in RS2 Software INC (refer to Note 29.3).

Directors' Report (Continued)

Although as at 31 December 2020, the 12,500 shares of the executive of RS2 Software INC. were valued at €1m (USD1.2m) by a management's third party expert, RS2 Software INC.'s Board of Directors held several meetings and in-depth discussions whereby it was agreed by the Board, that the maximum amount to be offered to the former executive is of €1.36m (USD1.5m). In this respect, the liability as at the end of the current financial reporting period accordingly reflects this, being the amount in fact paid to this executive in the first quarter of 2022, reflecting the full and final settlement of this share buy-back transaction.

Settlement of a legal dispute

During the year ended 31 December 2021, a provision in relation to an ongoing dispute with a former employee of RS2 Software p.l.c. terminated on 26 May 2020, was accounted for accordingly. During the first quarter of 2022, an out of court settlement agreement took place in respect of this legal obligation by RS2 Software p.l.c.. The parties signed a settlement agreement in February 2022, agreeing to a payment of €12,579.

Resignation of a senior management employee having a performance-related share-based payment (equity-settled)

In the first quarter of 2022, an employee who was due to receive a performance-related share-based payment (equity-settled) agreed to receive the respective amount in cash instead. Such amount of €255,000 was settled in March 2022.

Settlement Agreement with a Party related to the Strategic Arrangements in place within the travel industry

In February 2018, the Group entered into an agreement with a party related to the strategic arrangements in place within the travel industry. The Group incurred €1m worth of contract costs mainly related to the costs incurred by the Group in relation to the provision of scoping and development services necessary for the implementation of pilot services, in anticipation of a potential long-term strategic relationship with this party, for the development and commercialisation of a customised processing and payments solution for use in the travel industry. The total costs incurred were fully provided for in the financial year ended 31 December 2020 since the project was put on hold, and subsequently written off in the current financial year since there was no potential of the project ever kicking-off any longer. That being said, subsequent to year end, the aforementioned party approached RS2 with a settlement agreement, which the Group accepted. As per settlement agreement dated 6 March 2022, RS2 received an amount of €229,200 as full and final settlement of the costs the Group incurred.

Impact of COVID-19 pandemic

The COVID-19 pandemic has, to date, not had any significant impact on Group and Company operations. Management do not envisage there to be any further repercussions or negative impacts to the Group's and Company's operations in the years to come, specifically due to the pandemic.

Directors' Report (Continued)

Conflict between Russia and Ukraine

In February 2022, Russia launched a large-scale military invasion on Ukraine, one of its neighbours to the southwest, marking a major escalation to a conflict that began in 2014. The Group and Company do not have any customers domiciled in such countries, and no significant impact is expected to be incurred.

Pursuant to Capital Market 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 Capital Market 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 ordinary share capital is of €11,578,114 divided into 192,968,569 ordinary shares of €0.06 each, each ordinary share being fully paid up. All of the issued Ordinary 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 Ordinary 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 (2) votes at the meetings of the shareholders.

Directors' Report (Continued)

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 amounts to €3,600,000, divided into 60,000,000 preference shares, at €0.06 each. The Company's issued preference share capital amounts to €539,376 divided into 8,989,600 preference shares of €0.06 each, each preference share being fully paid up. All of the issued Preference Shares of the Company form part of one class of Preference Shares in the Company, which shares are listed on the Malta Stock Exchange. All of the Preference Shares have the same rights and entitlement and rank pari passu between themselves.

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 dividend, but 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.

Directors' Report (Continued)

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.

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.

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 2021, Information Technology Management Holding Limited (ITM) and Barclays Bank P.l.c. (Barclays) hold 96,567,522 and 35,216,796 ordinary shares respectively, equivalent to 47.82% and 17.44% of the Company's total issued share capital.

Directors' Report (Continued)

In his capacity as ultimate shareholder of ITM, Radi Abd El Haj indirectly holds 47.82% 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 Capital Market 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.

Directors' Report (Continued)

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 Malta Financial Services 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 an 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 2021, the Company had forty-seven million thirty-one thousand four hundred thirty-one (47,031,431) Ordinary Shares and fifty-one million ten thousand four hundred (51,010,400) Preference Shares in 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.

Directors' Report (Continued)

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 resulted in a net loss rather than a net profit at the end of the three-year period. Despite this, the obligation to this employee was 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 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 vested in equal instalments over 36 months during which the employee must be in office. The arrangement also included 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 2021.

Directors' Report (Continued)

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 27 April 2022 and signed on its behalf by:

Mario Schembri
Chairman

Radi Abd El Haj
Director

RS2

Corporate Governance Statement of Compliance

For the year ended 31 December 2021

Pursuant to the Malta Financial Services Authority Capital Market 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 2021, 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 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 in 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 CEO 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 2021, the position of Chairman was occupied by Mr. Mario Schembri.

Corporate Governance Statement of Compliance (Continued)

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 CEO takes care of the day-to-day running of the Company's business. During 2021, this 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 (CEO) 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 Capital Market 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.

When a Director is unable to agree with a decision of the Board, because a proposed course of action is not deemed to be consonant with his statutory or fiduciary duties and responsibilities, and all reasonable steps have been taken to resolve the issue, the Director can either opt to formally note his reasons for objection to any decision of the Board, or alternatively if the decision is of such material importance, then resignation may be the better alternative. When a Director may feel that resignation may be a better alternative to submission, which objectively is of material importance to the shareholders, then an appropriate announcement will be made.

Corporate Governance Statement of Compliance (Continued)

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 Malta Financial Services Authority, are modelled on the provisions of the Capital Market 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 2021. 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.

Corporate Governance Statement of Compliance (Continued)

	Meetings held: 7
	Attended
Mr. Franco Azzopardi	7
Dr. Robert Tufigno	6
Prof. Raša Karapandža	7

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.

When the audit committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on actions needed to address the issue or improvements to be made. The Board shall satisfy itself that any issues raised by the audit committee and the external Auditor and communicated to the Board, have been adequately addressed.

The Board meetings were attended as follows:

	Meetings held: 5
	Attended
Executive Director	
Mr. Radi Abd El Haj (CEO)	5
Non-executive Directors	
Mr. Mario Schembri (Chairman)	5
Dr. Robert Tufigno	5
Mr. Franco Azzopardi	5
Mr. John Elkins	4
Prof. Raša Karapandža	5
Mr. David Price	4

Dr. Ivan Gatt occupies the position of Company Secretary.

Corporate Governance Statement of Compliance (Continued)

Principle Six: Information and professional development

The CEO is appointed by the Board and enjoys the full confidence of the Board. The CEO, 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 CEO 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 always act in the best interest 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 Report" which can be found on pages 44 to 47. 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.

Corporate Governance Statement of Compliance (Continued)

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 Capital Market 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 Capital Market 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.

Corporate Governance Statement of Compliance (Continued)

When a Director has a continuing material interest that conflicts with the interests of the Company, he is required to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict, then the Director should consider resigning.

Principle Twelve: Corporate Social Responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (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.

Corporate Governance Statement of Compliance (Continued)

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 Capital Market 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. An internal audit function is being set up to ensure that appropriate controls are in place and to review how such key risks are mitigated.

Financial reporting standards are applicable to all entities of the Group. Systems and procedures are in place to identify, control and report on the high-risk areas. 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 Capital Market 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.

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Corporate Governance Statement of Compliance (Continued)

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 Capital Market 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.

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

27 April 2022

Remuneration Report

For the year ended 31 December 2021

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 CEO 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 two (2) meetings during the period under review.

	Attended
Dr. Robert Tufigno	2
Mr. Franco Azzopardi	2
Mr. Mario Schembri	2

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 Report (Continued)

Remuneration Statement – Senior Management

The Committee also makes recommendations on the remuneration of senior management. In making such recommendations, it considers that members of 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 2022.

In addition, the Committee is responsible for authorising all remuneration arrangements involving share options. During the year under review, 91,667 share options were allocated. There were no share options outstanding as at 31 December 2021.

In the case of the CEO and 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 the rental of a 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	€477,484
Variable Remuneration	€200,000
Fixed remuneration as full time employees of the Company	€756,036
Others	€38,157

Remuneration Report (Continued)

Directors' total remuneration, split out by component, for the financial year ended 31 December 2021, was as follows:

	Fixed Remuneration	Variable Remuneration	Fixed remuneration as full time employees of the Company	Others	Total
	€	€	€	€	€
Mr. Mario Schembri (Chairman)	200,265	-	-	-	200,265
Mr. Radi Abd El Haj (CEO)	53,000	200,000	756,036	-	1,009,036
Dr. Robert Tufigno	75,500	-	-	-	75,500
Mr. Franco Azzopardi	75,500	-	-	-	75,500
Mr. John Elkins	12,719	-	-	38,157	50,876
Prof. Raša Karapandža	60,500	-	-	-	60,500
Mr. David Price*	-	-	-	-	-
	477,484	200,000	756,036	38,157	1,471,677

* 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 Capital Market Rules, the CEO of RS2 Software p.l.c. received remuneration of €120,000 by one of the subsidiaries during the financial year ended 31 December 2021. The total emoluments the CEO was entitled to for this financial year amounted to €1,129,036.

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 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 2021 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).

Remuneration Report (Continued)

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	€868,078
Variable Remuneration	€320,600
Share-based Payments	Nil
Share Options	€162,447
Others	Nil

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 Capital Market Rules including Appendix 12.1 has been included.

Dr. Robert Tufigno

Chairman, Remuneration Committee

27 April 2022

Statement of the Directors pursuant to Capital Market Rule 5.68

For the year ended 31 December 2021

We, the undersigned declare that to the best of our knowledge, the financial statements set out on pages 51 to 176 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 27 April 2022 by:

Mario Schembri	**Radi Abd El Haj**
Chairman	Director

Company Information

For the year ended 31 December 2021

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 No	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

Statements

For the year ended 31 December 2021

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.

Additionally, the directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS"),
- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error,

and consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

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 27 April 2022 by:

Mario Schembri | **Radi Abd El Haj**

Chairman | Director

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Financial Statements

Statements of Financial Position

As at 31 December

		The Group		The Company	
		2021	2020	**2021**	2020
	Note	**€**	€	**€**	€
Assets					
Property, plant and equipment	8	**9,222,060**	8,802,339	**7,733,728**	7,912,295
Right-of-use assets	9	**2,122,514**	2,245,182	**429,882**	460,542
Intangible assets and goodwill	10	**15,742,080**	12,827,567	**9,095,509**	7,372,497
Investments in subsidiaries	11	**-**	-	**17,942,984**	16,306,108
Deferred tax assets	19	**-**	210,653	**-**	-
Loans receivable	14	**-**	796,631	**2,107,484**	3,099,629
Finance lease receivable	9	**97,702**	89,071	**-**	-
Total non-current assets		**27,184,356**	24,971,443	**37,309,587**	35,151,071
Trade and other receivables	14	**6,065,903**	2,736,289	**17,308,767**	7,860,512
Finance lease receivable	9	**56,440**	41,443	**-**	-
Loans receivable	14	**945,565**	910	**945,790**	1,135
Prepayments		**1,279,024**	769,671	**809,777**	690,225
Accrued income and contract costs	15	**3,776,538**	2,425,586	**6,148,870**	9,590,302
Inventory	13	**81,244**	21,391	**-**	-
Cash at bank and in hand	16	**8,217,898**	6,822,254	**1,260,672**	1,540,066
		20,422,612	12,817,544	**26,473,876**	19,682,240
Non-current asset held-for-sale	12	**-**	296,205	**-**	296,205
Total current assets		**20,422,612**	13,113,749	**26,473,876**	19,978,445
Total assets		**47,606,968**	38,085,192	**63,783,463**	55,129,516

Statements of Financial Position (Continued)

As at 31 December

	Note	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Equity					
Ordinary Share Capital	17	**11,578,114**	11,578,114	**11,578,114**	11,578,114
Preference Share Capital	17	**539,376**	-	**539,376**	-
Other equity	17	**-**	(136,556)	**-**	(136,556)
Reserves	17	**13,142,739**	(1,563,479)	**13,287,365**	(1,358,891)
Retained earnings	17	**4,959,161**	1,837,307	**22,840,874**	19,215,770
Total equity attributable to equity holders of the Company		**30,219,390**	11,715,386	**48,245,729**	29,298,437
Non-controlling interest		**(4,792,747)**	(4,645,276)	**-**	-
Total equity		**25,426,643**	7,070,110	**48,245,729**	29,298,437
Liabilities					
Bank borrowings	18	**1,124,000**	1,621,137	**1,124,000**	1,621,137
Lease liabilities	9	**1,771,163**	1,944,697	**434,944**	450,817
Employee benefits	28, 29	**3,966,584**	3,769,369	**3,473,288**	3,249,422
Deferred tax liability	19	**2,387,540**	1,467,005	**1,698,403**	1,387,510
Total non-current liabilities		**9,249,287**	8,802,208	**6,730,635**	6,708,886
Bank borrowings	18	**497,942**	10,141,881	**497,942**	10,141,881
Trade and other payables	20	**1,895,735**	2,166,879	**1,419,710**	1,984,010
Lease liabilities	9	**410,767**	333,149	**15,868**	15,420
Derivatives		**-**	660	**-**	660
Current tax payable		**3,345,581**	2,868,981	**2,951,368**	2,868,252
Accruals	21	**3,455,711**	3,376,536	**1,508,055**	1,577,322
Provisions	32	**407,516**	81,493	**407,516**	-
Employee benefits	28, 29	**1,350,784**	1,379,512	**-**	381,512
Deferred income	21	**1,567,002**	1,863,783	**2,006,640**	2,153,136
Total current liabilities		**12,931,038**	22,212,874	**8,807,099**	19,122,193
Total liabilities		**22,180,325**	31,015,082	**15,537,734**	25,831,079
Total equity and liabilities		**47,606,968**	38,085,192	**63,783,463**	55,129,516

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

Approved and authorised for issue by the Board of Directors on 27 April 2022 on its behalf by:

Mario Schembri — Chairman

Radi Abd El Haj — Director

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Statements of Profit or Loss

For the year ended 31 December

		The Group		The Company	
		2021	2020	**2021**	2020
	Note	**€**	€	**€**	€
Revenue	22	**38,679,863**	26,813,722	**24,526,965**	23,812,882
Cost of sales		**(21,734,786)**	(18,623,821)	**(15,263,080)**	(11,758,149)
Gross profit		**16,945,077**	8,189,901	**9,263,885**	12,054,733
Other income	23	**333,244**	104,569	**252,051**	39,787
Marketing and promotional expenses		**(1,383,922)**	(1,524,663)	**(357,523)**	(594,740)
Administrative expenses		**(8,453,193)**	(8,331,729)	**(3,952,621)**	(4,611,193)
Other expenses	23	**(65,173)**	(56,752)	**(36,883)**	(29,036)
Exchange gain/(loss) on operating activities	23	**171,921**	(786,176)	**758,201**	(786,907)
Impairment loss on trade receivables and contract assets	23	**(583,607)**	(27,462)	**(134,778)**	1,344
Impairment loss on contract costs	23	**-**	(1,045,586)	**-**	-
Provision for legal claims and related expenses		**(406,179)**	-	**(406,179)**	-
Results from operating activities		**6,558,168**	(3,477,898)	**5,386,153**	6,073,988
Finance income	24	**57,506**	40,608	**85,917**	90,423
Finance costs	24	**(200,010)**	(451,573)	**(159,263)**	(321,453)
Net finance costs		**(142,504)**	(410,965)	**(73,346)**	(231,030)
Profit/(Loss) before income tax	23	**6,415,664**	(3,888,863)	**5,312,807**	5,842,958
Income tax expense	25	**(3,067,436)**	(2,066,555)	**(1,798,045)**	(2,163,205)
Profit/(Loss) for the year		**3,348,228**	(5,955,418)	**3,514,762**	3,679,753
Profit/(Loss) for the year attributable to:					
Owners of the Company		**3,011,512**	(3,780,178)	**3,514,762**	3,679,753
Non-controlling interest		**336,716**	(2,175,240)	**-**	-
Profit/(Loss) for the year		**3,348,228**	(5,955,418)	**3,514,762**	3,679,753
Earnings/(Loss) per ordinary share	26	**€ 0.015**	-€ 0.020	**€ 0.018**	€ 0.019
Earnings per preference share	26	**€ 0.017**	-	**€ 0.019**	-

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December

	Note	The Group		The Company	
		2021	2020	**2021**	2020
		€	€	**€**	€
Profit/(Loss) for the year		**3,348,228**	(5,955,418)	**3,514,762**	3,679,753
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences on foreign operations		**(430,720)**	282,428	**-**	-
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		**9,465**	**79,100**	**9,465**	79,100
Remeasurement in net defined benefit liability	28	**52,814**	(1,274,237)	**46,319**	(1,267,290)
		(368,441)	(912,709)	**55,784**	(1,188,190)
Total comprehensive income/(loss)		**2,979,787**	(6,868,127)	**3,570,546**	2,491,563
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**3,127,258**	(5,150,513)	**3,570,546**	2,491,563
Non-controlling interest		**(147,471)**	(1,717,614)	**-**	-
Total comprehensive income/(loss) for the year		**2,979,787**	(6,868,127)	**3,570,546**	2,491,563

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 31 December

THE GROUP	Note	Ordinary Share Capital	Preference Share Capital	Other Equity	Share premium	Translation reserve	Fair value reserve	Employee benefits reserve	Other reserves	Share option reserve	Retained earnings	Total
		€	€	€	€	€	€	€	€	€	€	€
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
Comprehensive income for the year												
Loss for the year		-	-	-	-	-	-	-	-	-	(3,780,178)	(3,780,178)
Other comprehensive income												
Foreign currency translation differences		-	-	-	-	(175,198)	-	-	-	-	-	(175,198)
Net change in fair value of investments designated at FVTOCI upon initial recognition		-	-	-	-	-	79,100	-	-	-	-	79,100
Remeasurement in net defined benefit liability	28	-	-	-	-	-	-	(1,274,237)	-	-	-	(1,274,237)
Total other comprehensive (loss)/income for the year		-	-	-	-	(175,198)	79,100	(1,274,237)	-	-	-	(1,370,335)
Total comprehensive (loss)/income for the year		-	-	-	-	(175,198)	79,100	(1,274,237)	-	-	(3,780,178)	(5,150,513)
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	(221,068)	77,227	(1,752,978)	255,000	77,263	1,837,307	11,715,386

Statements of Changes in Equity (Continued)

For the year ended 31 December

THE GROUP	Note	Ordinary Share Capital €	Preference Share Capital €	Other Equity €	Share premium €	Translation reserve €	Fair value reserve €	Employee benefits reserve €	Other reserves €	Share option reserve €	Retained earnings €	Total €
Balance at 1 January 2021		11,578,114	-	(136,556)	1,077	(221,068)	77,227	(1,752,978)	255,000	77,263	1,837,307	11,715,386
Comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	-	-	3,011,512	3,011,512
Other comprehensive income												
Foreign currency translation differences		-	-	-	-	53,467	-	-	-	-	-	53,467
Net change in fair value of equity investments designated as FVTOCI upon initial recognition		-	-	-	-	-	9,465	-	-	-	-	9,465
Remeasurement in net defined benefit liability`	28	-	-	-	-	-	-	52,814	-	-	-	52,814
Total other comprehensive (loss)/income for the year		-	-	-	-	53,467	9,465	52,814	-	-	-	115,746
Total comprehensive (loss)/income for the year		-	-	-	-	53,467	9,465	52,814	-	-	3,011,512	3,127,258
Transactions with owners of the Company												
Preference Share Issue	17	-	539,376	-	15,192,424	-	-	-	-	-	-	15,731,800
Share Options Exercised		-	-	-	-	-	-	-	-	(23,650)	23,650	-
Share Issuance Costs	17	-	(355,054)	-	-	-	-	-	-	-	-	(355,054)
Reclassification of preference share issuance costs	17	-	(136,556)	136,556	-	-	-	-	-	-	-	-
		-	47,766	136,556	15,192,424	-	-	-	-	(23,650)	23,650	15,376,746
Transfer upon disposal of investments	12	-	-	-	-	-	(86,692)	-	-	-	86,692	-
Balance at 31 December 2021		11,578,114	47,766	-	15,193,501	(167,601)	-	(1,700,164)	255,000	53,613	4,959,161	30,219,390

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

Statements of Changes in Equity (Continued)

For the year ended 31 December

THE COMPANY	Note	Ordinary Share Capital €	Preference Share Capital €	Other Equity €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Re ea
Balance at 1 January 2020		11,578,114	-	-	1,077	(1,873)	265,385	77,263	(502,168)	15,5
Comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	-	3,6
Other comprehensive income										
Remeasurement in net defined benefit liability	28	-	-	-	-	-	-	-	(1,267,290)	
Net change in fair value of equity investments designated as FVTOCI upon initial recognition		-	-	-	-	79,100	-	-	-	
Total other comprehensive income/(loss) for the year		-	-	-	-	79,100	-	-	(1,267,290)	
Total comprehensive income/loss) for the year		-	-	-	-	79,100	-	-	(1,267,290)	3,6
Transactions recorded directly in equity										
Employee share benefits	29	-	-	-	-	-	(10,385)	-	-	
		-	-	-	-	-	(10,385)	-	-	
Transactions with owners of the Company										
Share Issuance Costs		-	-	(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)	19,2

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Statements of Changes in Equity (Continued)

For the year ended 31 December

THE COMPANY	Note	Ordinary Share Capital €	Preference Share Capital €	Other Equity €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Ret ear
Balance at 1 January 2021		**11,578,114**	**-**	**(136,556)**	**1,077**	**77,227**	**255,000**	**77,263**	**(1,769,458)**	**19,21**
Comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	-	**3,51**
Other comprehensive income										
Remeasurement in net defined benefit liability	28	-	-	-	-	-	-	-	**46,319**	
Net change in fair value of equity investments designated as FVTOCI upon initial recognition		-	-	-	-	**9,465**	-	-	-	
Total other comprehensive income for the year		-	-		-	**9,465**	-	-	**46,319**	
Total comprehensive income for the year		-	-	-	-	**9,465**	-	-	**46,319**	**3,51**
Transactions with owners of the Company										
Preference Share Issue		-	**539,376**	-	**15,192,424**	-	-	-	-	
Share Options excerised		-	-	-	-	-	-	**(23,650)**	-	**2**
Share Issuance Costs		-	**(355,054)**	-	-	-	-	-	-	
Reclassification of preference share issuance costs		-	**(136,556)**	**136,556**	-	-	-	-	-	
		-	**47,766**	**136,556**	**15,192,424**	**-**	**-**	**(23,650)**	**-**	**2**
Transfer upon disposal of investments	12	-	-	-	-	**(86,692)**	-	-	-	**8**
Balance at 31 December 2021		**11,578,114**	**47,766**	**-**	**15,193,501**	**-**	**255,000**	**53,613**	**(1,723,139)**	**22,84**

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 31 December

	Notes	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Cash flows from operating activities					
Profit/(Loss) for the year		**3,348,228**	(5,955,418)	**3,514,762**	3,679,753
Adjustments for:					
Depreciation	8, 9	**1,099,279**	1,104,996	**345,827**	375,867
Amortisation of intangible assets	10	**1,102,595**	939,304	**1,043,599**	877,640
Provision for expected credit losses	23	**409,608**	8,427	**132,416**	4,000
Provision for impairment loss/(gain) on receivables	23	**(53,068)**	953,270	**-**	(5,341)
Bad debts written off	23	**227,067**	111,354	**2,362**	-
Interest payable	24	**206,335**	306,208	**161,850**	255,602
Interest receivable	24	**(56,846)**	(31,771)	**(85,257)**	(72,200)
Provisions		**406,179**	81,493	**406,179**	-
Unwinding of discount on post-employment benefits	28	**93**	173	**93**	173
Post-employment benefit written off/settled during the year	28	**(111,420)**	-	**(111,420)**	-
Unwinding of discount on contract assets	24	**-**	-	**-**	(9,387)
Unwinding of discount on deposit		**1,189**	1,224	**-**	-
Employee share benefits	29	**332,630**	271,560	**-**	(10,385)
Impairment loss on intangible assets	10	**17,055**	392	**17,055**	-
Gain on sale of property, plant and equipment		**-**	1,234	**-**	-
Income tax	25	**3,067,436**	2,066,555	**1,798,045**	2,163,205
Provision for exchange fluctuations	23, 24	**(195,971)**	875,834	**(850,714)**	793,251
Change in fair value of derivative	24	**(660)**	(8,836)	**(660)**	(8,836)
		9,799,729	725,999	**6,374,137**	8,043,342
Changes in trade and other receivables		**(5,151,924)**	909,091	**(403,138)**	958,552
Changes in trade and other payables		**(1,948,637)**	1,485,374	**(552,871)**	817,505
Change in other related parties' balances		**-**	(147,234)	**(5,142,473)**	(13,579,908)
Inventories		**(59,853)**	-	**-**	-
Cash generated from/(used in) operating activities		**2,639,315**	2,973,230	**275,655**	(3,760,509)
Interest paid		**(168,527)**	(277,659)	**(148,862)**	(255,586)
Interest paid on lease liabilities	9	**(57,472)**	(64,100)	**(12,988)**	(13,551)
Interest received		**248**	20,191	**56,434**	61,541
Income taxes paid		**(1,455,412)**	(17)	**(1,404,346)**	(17)
Net cash generated from/(used in) operating activities		**958,152**	2,651,645	**(1,234,107)**	(3,968,122)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(1,056,042)**	(154,073)	**(131,792)**	(71,366)
Acquisition of intangible asset		**(83,900)**	(145,800)	**-**	-
Capitalised development costs	10	**(3,262,293)**	(2,637,430)	**(2,783,666)**	(1,770,895)
Acquisition of company		**-**	(2,000,000)	**-**	-
Proceeds from sale of asset		**3,321**	-	**-**	-
Advances to subsidiaries		**-**	-	**(6,558,200)**	(4,080,753)
Repayment of advances from subsidiaries		**-**	-	**5,006,721**	2,562,883
Disposal of non-current asset held for sale		**305,671**	-	**305,671**	-
Finance lease receipts		**73,017**	49,243	**-**	-
Net cash used in investing activities		**(4,020,226)**	(4,888,060)	**(4,161,266)**	(3,360,131)

Statements of Cash Flows (Continued)

For the year ended 31 December

	Note	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Cash flows from financing activities					
Proceeds from issue of share capital		**15,731,800**	-	**15,731,800**	-
Dividends paid		**(1,846)**	-	**(1,846)**	-
Proceeds from bank borrowings		**-**	2,500,000	**-**	2,500,000
Repayments of bank borrowings		**(483,907)**	(594,153)	**(483,907)**	(594,153)
Repayment of lease liabilities		**(392,003)**	(455,615)	**(15,425)**	(26,918)
Payments of preference share issue costs		**(460,054)**	(31,556)	**(460,054)**	(31,556)
Net cash generated from financing activities		**14,393,990**	1,418,676	**14,770,568**	1,847,373
Net movement in cash and cash equivalents		**11,331,916**	(817,739)	**9,375,195**	(5,480,880)
Cash and cash equivalents at 1 January		**(2,834,957)**	(1,357,287)	**(8,117,145)**	(2,637,803)
Effect of exchange rate fluctuations on cash held		**(279,103)**	(659,931)	**2,580**	1,538
Cash and cash equivalents at 31 December	16	**8,217,856**	(2,834,957)	**1,260,630**	(8,117,145)
Made up of:					
Cash at bank and in hand		8,217,898	6,822,254	1,260,672	1,540,066
Bank overdraft		(42)	(9,657,211)	(42)	(9,657,211)

The accompanying Notes on pages 62 to 176 are an integral part of these financial statements.

3

Notes to the Financial Statements

Notes to the financial statements

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 2021 comprise the Company and its subsidiaries (collectively referred to as "the Group" and individually as "Group entities").

2 BASIS OF PREPERATION

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

A going concern assessment has been performed by Management, based on the 2021 financials whilst also taking into consideration approved budgets covering 2022 up to 2024.

During the year under review, the Company registered revenues from its principal activities of €24.5m (2020: €23.8m) and a profit before tax of €5.3m (2020: €5.8m).

The Software (Licensing) Solutions business is a stable business with a large part of revenues being contracted revenues. The Processing Solutions business generated higher revenue when compared to the previous year despite implications brought about by COVID-19. In fact, 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 €7.5m (2020: €4.0m) and a profit before tax of €2.1m (2020: loss before tax of €0.2m) while RS2 Software INC., which serves as the US arm of the Group with specific focus on the provision of Managed Services in North America, recorded revenues of €16.1m (2020: €8.9m) and a profit before tax of €0.8m (2020: loss before tax of €5.1m).

2 BASIS OF PREPERATION (Continued)

2.1 STATEMENT OF COMPLIANCE (Continued)

2.1.2 GOING CONCERN (Continued)

RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. 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 €38.7m (2020: €26.8m) and registered a profit before tax of €6.4m (2020: loss before tax of €3.9m). At 31 December 2021, the Group's total assets amounted to €47.6m (2020: €38.1m), whereas its current assets exceeded its current liabilities by €7.5m (2020: current liabilities exceeded its current assets by €9.1m). From a liquidity stand point, RS2 Group has a solid cash position. The funding generated from the preference share issue enabled the Group to effectively implement its strategy, without the need for any short-term bank borrowings for working capital requirements. RS2 Software p.l.c. has a credit line of €10m available with a local bank, to meet any future working capital requirements.

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

Long-term impact of the COVID-19 pandemic

RS2 Group has continued to increase its revenues over prior years despite the COVID-19 pandemic. The payment industry's stability has played, and will continue to play an invaluable role in rebooting the global economy following the aftermath of the COVID-19 pandemic. The potential for the payments industry 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. 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 financial services industry is in the midst of a significant transformation, accelerated by the COVID-19 pandemic. Given the key role digitalisation plays in the financial lives of more and more of the world's population, electronic payments are at the epicentre of this transformation. Payments are becoming increasingly cashless, and the industry's role in fostering inclusion has become a significant priority. Payments are also supporting the development of digital economies and are driving innovation, all while functioning as a stable backbone for our economies.

2 BASIS OF PREPERATION (Continued)

2.1 STATEMENT OF COMPLIANCE (Continued)

2.1.2 GOING CONCERN (Continued)

Underneath the shift to a cashless society lies a larger, more profound change, whereby the entire infrastructure of payments is being reshaped, with new business models emerging. The Processing segment continues to show strong growth, especially in the US, while Merchant Services is more prominent across Europe.

Accelerated by the pandemic, the shift to a cashless society and the rising role of payments as more than simply an exchange of value for goods and services create a once-in-a-lifetime opportunity for the payments industry to lead in financial services. At the same time, by becoming a cornerstone of the global economy, payments can serve as a catalyst for economic growth, innovation and inclusion.

The outlook for 2022 is that business will continue to accelerate with a strong pipeline gearing up for the coming year, which, together with the launch of several new exciting products for the Group, including Merchant reconciliations modules, ELO payment methods (a Brazilian card scheme which can support credit and prepaid transactions), e-Commerce gateways "Shop & Pay" amongst others, will lead the Group to a positive 2022 and beyond.

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 which are measured at fair value.

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

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

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

2 BASIS OF PREPERATION (Continued)

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 and the Company'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, software rights and customer and other related contractual relationship
Note 5.1.3 and	
Note 29.3	cash-settled share-based payments
Note 6	recoverability assessment on trade and other receivables
Note 10.8 and	
Note 10.9	impairment test for cash generating unit (CGU) containing goodwill; key assumptions underlying recoverability
Note 10.8.4,	
Note 10.9.4 and	
Note 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 licence) 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 PREPERATION (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.

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 2022 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:

- Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. 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.
- Amendments to IAS 1 - Presentation of Financial Statements, IFRS Practice statement 2: Disclosure of Accounting Policies. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendments are intended to help preparers distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. An entity shall apply the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - Cost of fulfilling a contract. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The amendments are effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments are effective for annual periods beginning on or after 1 January 2023.

The Group and the Company are in the process of assessing the potential impact, if any, of these Standards on these financial statements.

3 NEW STANDARDS AND CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

During the financial year ended 31 December 2021, 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 2021. 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 IFRS 16 as amended in March 2021 - Leases – COVID 19 – Related rent concessions. The amendment to IFRS 16 provides relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary. Neither the Group nor the Company received any COVID-19 related rent concessions.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective on or after 1 January 2021; Early adoption is permitted). The amendments address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. In respect of the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient for modifications required by the reform (modifications required as a direct consequence of the interbank offered rates (IBOR) reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. These amendments enable entities to reflect the effects of transitioning from IBOR to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

  As disclosed in Note 14.1, certain loans receivable by the Company carry an interest rate which is linked to 3-month Euribor. Similarly, as disclosed in Note 18, the Company and the Group have bank borrowings with an interest rate which is linked to a 3-month Euribor. The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts and the Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future. Except as disclosed in this paragraph, neither the Company nor the Group have any other financial assets, financial liabilities or lease liabilities having rates subject to the IBOR reform. Accordingly, this amendment did not affect these financial statements.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4.2.2 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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.

4.3.1.1 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 fair value through other comprehensive income (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.

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 (Continued)

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.

4.3.1.2 DEBT INSTRUMENTS MEASURED AT AMORTISED COST

The following financial assets are classified within this category – trade and other receivables, cash at bank and 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 FVTOCI

The Company and the Group do not have such financial assets at the end of the current year.

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as FVTOCI. Designation as 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 FINANCIAL INSTRUMENTS (Continued)

4.3.1 NON-DERIVATIVE FINANCIAL ASSETS (Continued)

4.3.1.3 EQUITY INSTRUMENTS DESIGNATED AS FVTOCI (Continued)

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 'Other 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.

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. The interest rate swap matured during the year ended 31 December 2021.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 FINANCIAL INSTRUMENTS (Continued)

4.3.4 SHARE CAPITAL (Continued)

The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument are evaluated to determine whether the financial instruments issued are financial liabilities, financial assets or equity instruments or whether they contain separate components, in which case such components are classified separately as financial liabilities, financial assets and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company's ordinary shares, as well as its preference shares, are classified as equity. Incremental costs directly attributable to the issue of ordinary and preference 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 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.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 PROPERTY, PLANT AND EQUIPMENT (Continued)

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 re-measures 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 re-measured by discounting the revised lease payments using a revised discount rate;
- 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 re-measured 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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 LEASES (Continued)

4.5.1 THE GROUP AS A LESSEE (Continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured 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.

4.5.2 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.

3

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 LEASES (Continued)

4.5.2 THE GROUP AS A LESSOR (Continued)

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 finance lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the finance 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.

4.6 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 INTANGIBLE ASSETS (Continued)

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.

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 relationship 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 INTANGIBLE ASSETS (Continued)

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.

The assessment of all four 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 demands 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 (IPR) 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

4.9 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 BUSINESS COMBINATIONS (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured 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 re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

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 and lease receivables. 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.

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)

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Group 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 Group 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. Where a collective basis is applied, a provision matrix is used, whereby a fixed provision rate is applied depending on the number of days that a trade receivable is outstanding. The following steps are followed in order to estimate the ECL on trade receivables:

Step 1: Determine the appropriate groupings of trade receivables into categories of shared credit risk characteristics.

IFRS 9 does not provide any explicit guidance or requirement on how to group trade receivables. To be able to apply a provision matrix to trade receivables, the population of individual trade receivables should first be aggregated into groups of receivables that share similar credit risk characteristics. Management deems that the most appropriate manner is the trade receivable aged analysis. Moreover, for the purpose of the Group's ECL calculation, the provision matrix is prepared in accordance with its default definition.

Step 2: Determine the period over which historical loss rates are obtained to develop estimates of expected future loss rates.

Once the sub-groups are identified, historical loss data need to be collected for each sub-group. Again, IFRS 9 does not provide specific guidance on how far back the historical data should be collected. Judgement is needed to determine the period over which reliable historical data can be obtained that is relevant to the future period over which the trade receivables will be collected. Management deems a 14-month period to be reasonable to consider for ECL calculation purposes.

Step 3: Determine the historical loss rates.

Once sub-groups have been identified and the period over which loss data will be captured has been selected, the Group determines the expected loss rates for each sub-group sub-divided into past-due categories (i.e. a loss rate for balances that are 0 days past due, a loss rate for 1-30 days past due, a loss rate for 31-60 days past due, etc.). In this respect, losses incurred over the 14-month period considered for this exercise are to be taken for each ageing bucket. Dividing invoiced amounts in each ageing bucket by the losses incurred results in the loss rates to be used for each ageing bucket.

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)

Step 4: Consider forward looking macro-economic factors and adjust historical loss rates to reflect relevant future economic conditions.

The historical loss rates calculated in Step 3 reflect the economic conditions in place during the period to which the historical data relate. While they are a starting point for identifying expected losses, they are not necessarily the final loss rates that should be applied to the carrying amount. Albeit, Management deems that the historical loss rates were incurred under economic conditions that are representative of those expected to exist in the foreseeable future.

Step 5: Calculate the expected credit losses.

The ECL of each sub-group determined in Step 1 should be calculated by multiplying the current gross receivable balance plus contract assets by the loss rate. The summation of all the ECLs of each ageing bucket results in the total ECL of the portfolio.

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.

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)

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.

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.

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 held with banks rated as investment grade.

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:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) 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;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) 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)

Based on past experience and reasonable and supportable information which corroborates this experience, as adjusted (where necessary) for forward-looking information, the Group and the Company consider that default has occurred when a financial asset is more than 300 days past due.

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 Group in accordance with the contract and all the cash flows that the Group 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 Group's debtors operate, as well as consideration for various external sources of actual and forecasted economic information that relate to the Group's core operations.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 IMPAIRMENT (Continued)

4.10.3 NON-FINANCIAL ASSETS (Continued)

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 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.

4.12 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 re-measured, with any changes in fair value recognised in profit or loss for the year.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4.15 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

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.

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 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

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.

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 license 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 license being provided and the option was granted as security for continuity of service.

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)

Given that the contractual form of the exercise price of the option is a function of the cumulative license 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 license 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

4.16.2 SERVICES (Continued)

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 service.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

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.

4.16.3.1 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.

4.16.3.4 FEES BASED ON OPERATED TRANSACTION VOLUME

The Group also earns revenue based on transaction volume processed by the customer terminals, both from Giro cards and credit cards. In the case of the former, a commission is earned based on a percentage of the total transaction volume processed by Giro cards. This commission is clearly defined in the contract the Group has with its customers.

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 (Continued)

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.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 REVENUE (Continued)

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.

4.16.7 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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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 GOVERMENT 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.

4.19 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 INCOME TAX (Continued)

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. For the purpose of this calculation and for the purpose of Note 26, an ordinary share is an equity instrument that is subordinate to all other classes of equity instruments. The terms of preference shares issued by the Company are assessed to determine whether they share the characteristics of ordinary shares and have any preference attributed to them. In case that such shares have no preference attributed to them, such instruments are considered as ordinary shares for the purpose of this calculation, regardless of the legal name assigned to them.

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. Shares are usually included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue).

The Group presents in the statement of comprehensive income basic earnings per share for each class of ordinary shares that has a different right to share in profit for the period.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 SEGMENT REPORTING (Continued)

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. These 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 valuation 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).

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 DETERMINATION OF FAIR VALUES (Continued)

5.1 MEASUREMENT OF FAIR VALUES

5.1.1 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.

5.1.2 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.

5.1.3 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 arrangements, further disclosures are provided in Note 29.3.

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.

5.1.4 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.

5.1.5 OTHER INVESTMENT

Under IFRS 9, this investment was 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, in 2020, Management expressed interest in disposing of the other investment in full. In this respect, the equity value as at end of December 2020 was 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 was concluded successfully during the year ended 31 December 2021.

5 DETERMINATION OF FAIR VALUES (Continued)

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.

6.2 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, as well as 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.

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

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.

6.3.1 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	
	2021	2020	2021	2020
	€	€	€	€
Non-current assets				
Amounts receivable from related parties	**-**	796,631	**2,107,484**	3,099,629
Finance lease receivables	**97,702**	89,071	**-**	-
	97,702	885,702	**2,107,484**	3,099,629
Current assets				
Trade and other receivables	**6,065,903**	2,736,289	**17,308,767**	7,860,512
Finance lease receivables	**56,440**	41,443	**-**	-
Loans and receivables from related parties	**945,565**	910	**945,790**	1,135
Accrued income and contract costs	**3,776,538**	2,425,586	**6,148,870**	9,590,302
Cash at bank	**8,214,173**	6,817,075	**1,258,534**	1,535,884
	19,058,619	12,021,303	**25,661,961**	18,987,833

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	
	2021	2020	2021	2020
	€	€	€	€
Non-current assets				
Europe	**97,702**	885,702	**2,050,000**	3,046,631
South America	**-**	-	**57,484**	52,998
	97,702	885,702	**2,107,484**	3,099,629
Current assets				
Europe	**4,875,367**	3,291,189	**6,292,504**	4,941,299
Middle East	**780,587**	651,942	**771,095**	649,834
South America	**574,385**	165,342	**259**	-
North America	**3,687,834**	(48,065)	**17,074,338**	11,480,994
Asia	**926,273**	1,143,820	**265,231**	379,822
	10,844,446	5,204,228	**24,403,427**	17,451,949

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.1 EXPOSURE TO CREDIT RISK (Continued)

The nature of the Group and the Company's activities is to service financial institutions (including banks) and accordingly a significant proportion of receivables fall within this industry. In 2021, 66% (2020: 65%) of the Group's revenue is attributable to sales transactions with three (2020: three) 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 2021 and 2020 respectively.

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Customers situated in Europe	**1,565,574**	1,402,597	**1,565,574**	1,402,597
Customers situated in North America	**2,744,129**	-	**-**	-
	4,309,703	1,402,597	**1,565,574**	1,402,597

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

	The Group		The Company	
Bank balances	**2021**	2020	**2021**	2020
External rating grades	**€**	€	**€**	€
AA-	**-**	505,928	**-**	-
A+	**7,033,351**	5,790,464	**94,483**	1,020,746
BBB+	**16,329**	-	**-**	-
BBB-	**20,999**	15,534	**20,999**	15,534
Unrated	**1,143,494**	505,149	**1,143,052**	499,604
Gross/net carrying amount at 31 December	**8,214,173**	6,817,075	**1,258,534**	1,535,884

The Group's cash is placed with reputable financial institutions, 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)

Finance lease receivables	2021	2020	2021	2020
Internal rating grades	€	€	€	€
Performing*	154,142	130,514	-	-
Gross/net carrying amount at 31 December	154,142	130,514	-	-

	The Group		The Company	
Loans receivable	2021	2020	2021	2020
Internal rating grades	€	€	€	€
Performing*	945,565	797,541	3,053,274	3,100,764
Gross/net carrying amount at 31 December	945,565	797,541	3,053,274	3,100,764

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

31 December 2021	The Group		
	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	-	10,449,190	-
In default	-	-	4,339
Gross carrying amount at 31 December 2021	-	10,449,190	4,339
Loss allowance at 31 December 2021	-	(452,608)	(4,339)
Net carrying amount at 31 December 2021	-	9,996,582	-

31 December 2021	The Company		
	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	20,750,220	2,882,833	-
In default	-	-	-
Gross carrying amount at 31 December 2021	20,750,220	2,882,833	-
Loss allowance at 31 December 2021	-	(175,416)	-
Net carrying amount at 31 December 2021	20,750,220	2,707,417	-

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

31 December 2020	The Group		
	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	120,000	6,395,627	-
In default	-	-	59,108
Gross carrying amount at 31 December 2020	120,000	6,395,627	59,108
Loss allowance at 31 December 2020	-	(43,000)	(59,108)
Net carrying amount at 31 December 2020	120,000	6,352,627	-

Impairment losses on contract costs for RS2 Group as at 31 December 2020 amounted to €1,045,588. Such impairment losses have been written off in full in 2021.

31 December 2020	The Company		
	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	14,743,099	2,750,715	-
In default	-	-	-
Gross carrying amount at 31 December 2020	14,743,099	2,750,715	-
Loss allowance at 31 December 2020	-	(43,000)	-
Net carrying amount at 31 December 2020	14,743,099	2,707,715	-

Write-offs during the reporting period amounted to €1,272,653 (2020: €111,354) and €2,362 (2020: €nil) for the Group and the Company, respectively. No reversals of write-offs happened during the year ended 31 December 2021 (2020: €nil).

6 FINANCIAL RISK MANAGEMENT (Continued)

6.3 CREDIT RISK (Continued)

6.3.2 IMPAIRMENT LOSSES (Continued)

31 December 2021	The Group		
	Lifetime ECL not-credit impaired		Lifetime ECL credit impaired
	Individual Impairments	Collective Impairments	Individual Impairments
Trade debtors, contract assets and finance lease receivables	€	€	€
Opening balance at 1 January 2021	-	43,000	54,745
Movement during the year	-	409,608	(50,406)
Closing balance 31 December 2021	-	452,608	4,339

31 December 2021	The Company		
	Lifetime ECL not-credit impaired		Lifetime ECL credit impaired
	Individual Impairments	Collective Impairments	Individual Impairments
Trade receivables and contract assets	€	€	€
Opening balance at 1 January 2021	-	43,000	-
Movement during the year	-	132,416	-
Closing balance 31 December 2021	-	175,416	-

31 December 2020	The Group		
	Lifetime ECL not-credit impaired		Lifetime ECL credit impaired
	Individual Impairments	Collective Impairments	Individual Impairments
Trade debtors, contract assets and finance lease receivables	€	€	€
Opening balance at 1 January 2020	-	39,000	147,064
Movement during the year	-	4,000	(92,319)
Closing balance 31 December 2020	-	43,000	54,745

31 December 2020	The Company		
	Lifetime ECL not-credit impaired		Lifetime ECL credit impaired
	Individual Impairments	Collective Impairments	Individual Impairments
Trade receivables and contract assets	€	€	€
Opening balance at 1 January 2020	-	39,000	5,341
Movement during the year	-	4,000	(5,341)
Closing balance 31 December 2020	-	43,000	-

Impairment losses on contract costs as at 31 December 2020 amounted to €1,045,586. Such impairment losses have been written off in full in 2021.

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.

	Carrying amount	Contractual Cash flows	12 months or less	1 - 2 years	2 - 5 years	More than 5 years
	€	€	€	€	€	€
31 December 2021						
The Group						
Secured bank loans	**1,621,942**	**1,694,008**	**535,603**	**535,560**	**622,845**	**-**
Accrued expenses	**3,455,711**	**3,455,711**	**3,455,711**	**-**	**-**	**-**
Trade and other payables	**1,895,735**	**1,895,735**	**1,895,735**	**-**	**-**	**-**
Post-employment benefits	**3,909,545**	**3,916,201**	**-**	**-**	**270,090**	**3,646,111**
Lease liabilities	**2,181,930**	**2,399,474**	**458,239**	**423,606**	**939,448**	**578,181**
	13,064,863	**13,361,129**	**6,345,288**	**959,166**	**1,832,383**	**4,224,292**
The Company						
Secured bank loans	**1,621,942**	**1,694,008**	**535,603**	**535,560**	**622,845**	**-**
Accrued expenses	**1,508,055**	**1,508,055**	**1,508,055**	**-**	**-**	**-**
Trade and other payables	**1,419,710**	**1,419,710**	**1,419,710**	**-**	**-**	**-**
Post-employment benefits	**3,473,288**	**3,479,942**	**-**	**-**	**270,090**	**3,209,852**
Lease liabilities	**450,812**	**573,997**	**28,409**	**28,409**	**124,998**	**392,181**
	8,473,807	**8,675,712**	**3,491,777**	**563,969**	**1,017,933**	**3,602,033**

	Carrying amount	Contractual Cash flows	12 months or less	1 - 2 years	2 - 5 years	More than 5 years
	€	€	€	€	€	€
31 December 2020						
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

Further disclosures on liquidity risk are provided in Note 2.1.2.

6 FINANCIAL RISK MANAGEMENT (Continued)

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.

6.5.1 CURRENCY RISK

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, PHP, 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 as at 31 December was as follows, based on notional amounts:

The Group				**2021**					
	NZD	**CHF**	**PHP**	**USD**	**JOD**	**BRL**	**GBP**	**CAD**	**ISK**
Trade receivables	**466,181**	**-**	**3,764,777**	**3,966,295**	**-**	**-**	**584,221**	**-**	**-**
Accrued income	**189,129**	**-**	**685,714**	**1,411,500**	**-**	**-**	**258,872**	**-**	**-**
Cash at bank	**51**	**216**	**2,506,749**	**5,391,072**	**-**	**228,320**	**128,366**	**432**	**14,207**
Trade payables	**-**	**-**	**(1,225,687)**	**(136,044)**	**32**	**(16,165)**	**(3,014)**	**-**	**-**
Deferred income	**(45,042)**	**-**	**-**	**(176,131)**	**-**	**-**	**(263,730)**	**-**	**-**
Gross statement of financial position exposure	**610,319**	**216**	**5,731,553**	**10,456,692**	**32**	**212,155**	**704,715**	**432**	**14,207**
The Company									
Trade receivables	**-**	**-**	**-**	**9,509,403**	**-**	**-**	**584,221**	**-**	**-**
Receivables from related parties	**-**	**-**	**-**	**65,000**	**-**	**-**	**-**	**-**	**-**
Accrued income	**-**	**-**	**-**	**4,949,911**	**-**	**-**	**258,872**	**-**	**-**
Cash at bank	**-**	**-**	**-**	**18,260**	**-**	**-**	**125,033**	**-**	**-**
Trade payables	**-**	**-**	**(176,636)**	**(4,119)**	**32**	**-**	**(3,014)**	**-**	**-**
Deferred income	**-**	**-**	**-**	**(159,208)**	**-**	**-**	**(263,730)**	**-**	**-**
Gross statement of financial position exposure	**-**	**-**	**(176,636)**	**14,379,247**	**32**	**-**	**701,382**	**-**	**-**

The Group				**2020**					
	NZD	**CHF**	**PHP**	**USD**	**JOD**	**BRL**	**GBP**	**CAD**	**ISK**
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)

The following significant exchange rates applied during the year:

		Average rate		Reporting date spot rate	
		2021	2020	**2021**	2020
NZD	1	**0.5980**	0.5694	**0.6032**	0.5888
CHF	1	**0.9249**	0.9341	**0.9680**	0.9258
USD	1	**0.8455**	0.8755	**0.8829**	0.8149
JOD	1	**1.1923**	1.2351	**1.2399**	1.1546
BRL	1	**0.1568**	0.1697	**0.1585**	0.1569
PHP	1	**0.0172**	0.0177	**0.0173**	0.0169
GBP	1	**1.1633**	1.1240	**1.1901**	1.1123
CAD	1	**0.6745**	0.6536	**0.6948**	0.6397
ISK	1	**0.0067**	0.0065	**0.0068**	0.0064

SENSITIVITY ANALYSIS

A 10 percent strengthening of the Euro against the following currencies as at 31 December would have (decreased)/increased 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 2020.

	The Group		The Company	
	Equity	Profit or loss	Equity	Profit or loss
	€	€	€	€
31 December 2021				
NZD	**(36,813)**	**(36,813)**	**-**	**-**
CHF	**(21)**	**(21)**	**-**	**-**
USD	**(923,247)**	**(923,247)**	**(1,269,579)**	**(1,269,579)**
JOD	**(4)**	**(4)**	**(4)**	**(4)**
BRL	**(3,362)**	**(3,362)**	**-**	**-**
PHP	**(9,923)**	**(9,923)**	**306**	**306**
GBP	**(83,867)**	**(83,867)**	**(83,470)**	**(83,470)**
CAD	**(30)**	**(30)**	**-**	**-**
ISK	**(10)**	**(10)**	**-**	**-**
31 December 2020				
NZD	(71,214)	(71,214)	-	-
CHF	-	-	-	-
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	-	-
ISK	-	-	-	-

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.

RS2

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. In prior years, the Group had 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. This interest rate swap matured in 2021.

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

6.5.2.1 INTEREST RATE 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**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Fixed rate instruments				
Financial assets	**944,103**	796,631	**944,103**	796,631
Variable rate instruments				
Financial assets	**8,214,173**	6,817,079	**3,308,534**	3,785,887
Financial liabilities	**(1,621,942)**	(11,763,679)	**(1,621,942)**	(11,763,679)
	6,592,231	(4,946,600)	**1,686,592**	(7,977,792)

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.

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 2020.

	The Group			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	€	€	€	€
31 December 2021				
Variable rate instruments	**65,922**	**(65,922)**	**65,922**	**(65,922)**
31 December 2020				
Variable rate instruments	(49,268)	49,459	(49,268)	49,459

	The Company			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	€	€	€	€
31 December 2021				
Variable rate instruments	**16,866**	**(16,866)**	**16,866**	**(16,866)**
31 December 2020				
Variable rate instruments	(102,080)	102,271	(102,080)	102,271

6.5.3 EQUITY PRICE RISK

As at end of December 2021, the Group is no longer exposed to equity risks arising from equity investments classified at FVTOCI. As at end of December 2020, the Group held equity investments measured at FVTOCI, which were disposed of in 2021, as disclosed in Note 12.

6 FINANCIAL RISK MANAGEMENT (Continued)

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 and preference 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 payment of dividends, new share issues, as well as the issue of new debt or redemption of existing debt. There were no changes in the Group's approach to capital management during the year.

During the financial year ending 31 December 2021, RS2 Software p.l.c. successfully raised €15,731,800 by way of a Preference Share PO. The additional liquidity generated from the Preference Share PO has enabled the Group to continue implementing its business strategy.

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 bi-annual 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.

Information regarding the results of each reportable segment is included below. The internal management reports that are reviewed by the Group's Board of Directors include the results of each subsidiary, with additional disclosures showing disaggregated revenues attributable to each reportable segment. Inter-segment pricing is determined on an arm's length basis.

7 OPERATING SEGMENTS (Continued)

7.1 INFORMATION ABOUT REPORTABLE SEGMENTS

31 December 2021	Software (Licensing) Solutions €	Processing €	Merchant Solutions €	Total reportable segments €
External revenues	**17,850,900**	**18,759,855**	**2,069,108**	**38,679,863**
Inter-segment revenues	**8,928,725**	**-**	**336,953**	**9,265,678**
Segment revenues	**26,779,625**	**18,759,855**	**2,406,061**	**47,945,541**
Finance income	**85,917**	**8**	**27,960**	**113,885**
Finance expense	**(209,689)**	**(5,183)**	**(58,574)**	**(273,446)**
Depreciation and amortisation	**(1,802,668)**	**(534,908)**	**(124,455)**	**(2,462,031)**
Movement in provision for impairment loss on receivables	**(132,416)**	**956,112**	**-**	**823,696**
Movement in amounts written off	**(2,360)**	**(1,398,962)**	**(5,980)**	**(1,407,302)**
Reportable segment profit/(loss) before income tax	**6,324,505**	**2,865,598**	**(974,000)**	**8,216,103**
Income tax expense	**(1,854,616)**	**(1,157,686)**	**(55,134)**	**(3,067,436)**
Reportable segment assets	**63,522,518**	**23,906,099**	**6,439,326**	**93,867,943**
Capital expenditure	**2,968,282**	**1,217,147**	**184,121**	**4,369,550**
Reportable segment liabilities	**17,500,939**	**26,212,878**	**2,776,235**	**46,490,052**

7 OPERATING SEGMENTS (Continued)

7.1 INFORMATION ABOUT REPORTABLE SEGMENTS (Continued)

31 December 2020	Software (Licensing) Solutions €	Processing €	Merchant Solutions €	Total reportable segments €
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 (credit)/expense	(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)

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

	2021	2020
	€	€
External Revenues		
Total revenue for reportable segments	**47,945,541**	34,057,730
Elimination of inter-segment transactions	**(9,265,678)**	(7,244,008)
Consolidated revenue	**38,679,863**	26,813,722
Finance income		
Total finance income for reportable segments	**113,885**	110,508
Elimination of inter-segment transactions	**(56,379)**	(69,900)
Consolidated finance income	**57,506**	40,608
Finance expense		
Total finance expense for reportable segments	**273,446**	502,427
Elimination of inter-segment transactions	**(73,436)**	(50,854)
Consolidated finance expense	**200,010**	451,573
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	**2,462,031**	2,336,823
Elimination of inter-segment transactions	**(260,157)**	(292,525)
Consolidated depreciation and amortisation	**2,201,874**	2,044,298
Profit/(loss) before income tax		
Total profit/(loss) before income tax for reportable segments	**8,216,103**	(217,893)
Elimination of inter-segment transactions	**(1,800,439)**	(3,670,970)
Consolidated reportable segment profit/(loss) before income tax	**6,415,664**	(3,888,863)
Assets		
Total assets for reportable segments	**93,867,943**	73,269,757
Elimination of computer software	**(1,768,432)**	(2,766,160)
Elimination of contract assets	**(21,441,744)**	(23,336,300)
Elimination of other inter-segment assets	**(23,050,799)**	(9,082,105)
Consolidated total assets	**47,606,968**	38,085,192
Liabilities		
Total liabilities for reportable segments	**46,490,052**	51,267,501
Elimination of inter-segment balances	**(19,173,055)**	(11,882,760)
Elimination of inter-segment accruals	**(5,321,619)**	(8,825,773)
Elimination of other inter-segment liabilities	**184,947**	456,114
Consolidated total liabilities	**22,180,325**	31,015,082

7 OPERATING SEGMENTS (Continued)

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

Except for revenues, the line items in the above tables are allocated as follows – (a) Software (Licensing) solutions comprises the results and financial position of RS2 Software plc, RS2 Software APAC Inc. and RS2 Software LAC LTDA, (b) Processing comprises the results and financial position of RS2 Software Inc. and RS2 Smart Processing Limited and (c) Merchant Solutions comprises the results and financial position of the German subsidiaries. The revenue of RS2 Software Inc. is allocated to the following two segments – Software (Licensing) solutions and Processing.

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.

7.3 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 €
31 December 2021		
Malta	**230,928**	**18,947,012**
UK and Ireland	**14,393,360**	**-**
USA	**16,122,061**	**4,141,760**
Other countries	**7,933,514**	**3,997,882**
	38,679,863	**27,086,654**
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

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 2021, revenues from three (2020: three) major customers of the licensing and processing segments amounted to €4,546,317, €5,766,566 and €15,024,008 respectively (2020: €4,424,291, €4,501,673 and €8,613,497 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 2020	7,977,167	1,404,045	4,688,480	198,572	-	14,268,264
Additions from acquisition	-	-	5,475	29,600	5,285	40,360
Transfer from RoU assets	-	-	-	-	17,108	17,108
Additions	-	-	187,306	-	9,639	196,945
Disposals		-	(1,722)	-	-	(1,722)
Impairment of asset	-	-	(378)	-	-	(378)
Effects of movement in exchange	-	(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
Balance at 1 January 2021	**7,977,167**	**1,403,128**	**4,794,272**	**227,286**	**32,032**	**14,433,885**
Adjustments/Reclassifications	**-**	**66,091**	**(66,091)**	**-**	**(993)**	**(993)**
Additions	**-**	**-**	**1,038,293**	**19,631**	**5,583**	**1,063,507**
Disposals	**-**	**-**	**-**	**(5,000)**	**-**	**(5,000)**
Effects of movement in exchange	**-**	**554**	**70,209**	**535**	**-**	**71,298**
Balance at 31 December 2021	**7,977,167**	**1,469,773**	**5,836,683**	**242,452**	**36,622**	**15,562,697**
Depreciation						
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	-	(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
Balance at 1 January 2021	**1,346,515**	**361,623**	**3,726,061**	**194,474**	**2,873**	**5,631,546**
Depreciation for the year	**101,703**	**59,938**	**456,630**	**26,097**	**22,003**	**666,371**
Disposals	**-**	**-**	**-**	**(2,145)**	**-**	**(2,145)**
Effects of movement in exchange	**-**	**556**	**43,818**	**491**	**-**	**44,865**
Balance at 31 December 2021	**1,448,218**	**422,117**	**4,226,509**	**218,917**	**24,876**	**6,340,637**
Carrying amounts						
At 1 January 2020	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
At 31 December 2021	**6,528,949**	**1,047,656**	**1,610,174**	**23,535**	**11,746**	**9,222,060**

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 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
Balance at 1 January 2021	**7,977,168**	**1,330,722**	**2,634,727**	**175,034**	**12,117,651**
Additions	**-**	**-**	**136,600**	**-**	**136,600**
Adjustments/Reclassifications	**-**	**7,989**	**(7,989)**	**-**	**-**
Balance at 31 December 2021	**7,977,168**	**1,338,711**	**2,763,338**	**175,034**	**12,254,251**
Depreciation					
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
Balance at 1 January 2021	**1,338,263**	**332,142**	**2,373,520**	**161,431**	**4,205,356**
Depreciation for the year	**97,404**	**-**	**204,160**	**13,603**	**315,167**
Adjustments/Reclassifications	**4,303**	**52,797**	**(57,100)**	**-**	**-**
Balance at 31 December 2021	**1,439,970**	**384,939**	**2,520,580**	**175,034**	**4,520,523**
Carrying amounts					
At 1 January 2020	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
At 31 December 2021	**6,537,198**	**953,772**	**242,758**	**-**	**7,733,728**

9 LEASES

9.1 THE GROUP AS A LESSEE

This note provides information about lease agreements for which the Group was a lessee during 2021. These include:

9.1.1 LEASED PREMISES GOZO

An agreement was entered into for an emphyteutical grant for leased land 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. Upon expiration of the emphyteutical grant, the emphyteutical site and any improvements thereon shall devolve to the Government without any obligation on the latter to compensate the Company.

9.1.2 LEASED OFFICES USA

An agreement for leased offices in Denver, USA. The initial term of the lease was for a five-year term, commencing in 2016 up until March 2021. The initial lease agreement included an option for the lessee to renew for a further four-year term or to terminate subject to a notice in writing provided that the conditions of the contract agreement are satisfied. The option to extend the term was taken up and a lease contract renewal agreement was entered into as of April 2021 valid until June 2024.

9.1.3 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, up until June 2024. The renewal of this lease was 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 be terminated prior to the lease termination date; however, in so doing the lessee will be liable to penalties.

9.1.4 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, since the apartment was not being used.

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.5 LEASED OFFICES GERMANY

An agreement for leased offices in Neu-Isenburg, Germany. This agreement was entered into with a related party on 1 January 2019. 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 another five-year term. Accordingly, the enforceable period of this lease (and the lease term) is 10 years.

An agreement for leased offices in Reinsdorf, Germany. At acquisition date, the remaining period of the lease was for 6 months up 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. The lease was renewed for a further one-year term in July 2021 and later terminated on 30 March 2022.

9.1.6 LEASED CARS IN GERMANY

Various agreements for leased cars in Germany. The leases are for a three-year term, ending between August 2022 and May 2024. The enforceable period of such leases (and the lease term) is 3 years. These agreements were entered into at different points in time between August 2019 and June 2021. The lease rate is based on driven kilometres (20k-30k) per annum.

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.7 GROUP AND COMPANY LEASES

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 previous 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.

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
	€	€	€	€
As 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
As at 31 December 2020	2,161,779	83,403	-	2,245,182
As at 1 January 2021	**2,161,779**	**83,403**	**-**	**2,245,182**
Additions to right-of-use assets	**221,821**	**87,294**	**-**	**309,115**
Depreciation charge for the year	**(371,179)**	**(61,729)**	**-**	**(432,908)**
Effects of movement in exchange rates	**1,125**	**-**	**-**	**1,125**
As at 31 December 2021	**2,013,546**	**108,968**	**-**	**2,122,514**

The Company	Land and buildings	Total
	€	€
As at 1 January 2020	497,120	497,120
Depreciation charge for the year	(36,578)	(36,578)
As at 31 December 2020	460,542	460,542
As at 1 January 2021	**460,542**	**460,542**
Depreciation charge for the year	**(30,660)**	**(30,660)**
Additions to right-of-use assets	**-**	**-**
As at 31 December 2021	**429,882**	**429,882**

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.7 GROUP AND COMPANY LEASES (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
	€	€	€	€
As 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)
As at 31 December 2020	2,193,822	84,024	-	2,277,846
As at 1 January 2021	**2,193,822**	**84,024**	**-**	**2,277,846**
Additions	**221,831**	**68,794**	**-**	**290,625**
Accretion of interest	**54,963**	**2,509**	**-**	**57,472**
Payments	**(387,945)**	**(61,530)**	**-**	**(449,475)**
Effects of movement in exchange rates	**5,462**	**-**	**-**	**5,462**
As at 31 December 2021	**2,088,133**	**93,797**	**-**	**2,181,930**

The Company	Land and buildings	Total
	€	€
As at 1 January 2020	493,155	493,155
Accretion of interest	13,551	13,551
Payments	(40,469)	(40,469)
As at 31 December 2020	466,237	466,237
As at 1 January 2021	**466,237**	**466,237**
Accretion of interest	**12,988**	**12,988**
Payments	**(28,413)**	**(28,413)**
As at 31 December 2021	**450,812**	**450,812**

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current	**410,767**	333,149	**15,868**	15,420
Non-current	**1,771,163**	1,944,697	**434,944**	450,817

9 LEASES (Continued)

9.1 THE GROUP AS A LESSEE (Continued)

9.1.7 GROUP AND COMPANY LEASES (Continued)

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Depreciation expense	**432,908**	478,306	**30,660**	36,578
Interest expense on lease liabilities	**57,472**	64,100	**12,988**	13,551
Expenses relating to short-term leases	**56,866**	-	**-**	-
Total amount recognised in profit or loss	**547,246**	542,406	**43,648**	50,129

The total cash outflow for leases amounted to €449,473 and €28,413 (2020: €519,715 and €40,469) 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 2021 and 2020. No variable lease payments exist as at 31 December 2021 and 2020 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 2021 and 2020.

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 does 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, providing three months' notice without incurring penalties. The option to extend or renew the contract is considered to be highly unlikely due to other available options for taxi drivers. The lessee does not have an option to purchase the terminals at the expiry of the lease period.

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR (Continued)

9.2.1 OPERATING LEASE ARRANGEMENTS (Continued)

Maturity analysis of operating lease receipts:

THE GROUP	2021	2020
	€	€
Within 1 year	**3,717**	15,697
Between 1 and 2 years	**1,109**	2,032
Total	**4,826**	17,729

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

THE GROUP	2021	2020
	€	€
Lease income on operating leases	**53,317**	60,335
Depreciation of the year	**(22,003)**	(37,105)
Total	**31,314**	23,230

9.2.2 FINANCE LEASE RECEIVABLES

THE GROUP	2021	2020
	€	€
Additions on business combination on 1 January	**130,514**	80,294
Additions during the year	**68,764**	79,535
Release of receivables during the year	**(73,017)**	(49,243)
Unwinding of interest	**27,881**	19,928
Balance at 31 December 2021	**154,142**	130,514

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR (Continued)

9.2.2 FINANCE LEASE RECEIVABLES (Continued)

THE GROUP	2021	2020
	€	€
Amounts receivable under finance leases:		
Within 1 year	**82,735**	63,468
Between 1 and 2 years	**65,907**	58,913
Between 2 and 3 years	**50,626**	41,073
Between 3 and 4 years	**45,312**	17,232
More than 4 years	**-**	13,840
Undiscounted lease payments	**244,580**	194,526
Less unearned finance income	**(90,438)**	(64,012)
Present value of lease payments receivable	**154,142**	130,514
Impairment loss allowance	**-**	-
Net investment in the lease	**154,142**	130,514
Undiscounted lease payments analysed as:		
Recoverable within 12 months	**82,735**	63,468
Recoverable after 12 months	**161,845**	131,058
	244,580	194,526
Net investment in the lease analysed as:		
Recoverable within 12 months	**56,440**	41,443
Recoverable after 12 months	**97,702**	89,071
	154,142	130,514

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

During the years ended 31 December 2021 and 2020, the Group entered into finance leasing arrangements with customers as a lessor, through the rental of POS terminals owned by the Group. The duration of the rental contracts differs from one customer to another, however the average term of the finance lease entered into is four (4) years. During this rental period, the customer cannot terminate the contract without incurring 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.

9 LEASES (Continued)

9.2 THE GROUP AS A LESSOR (Continued)

9.2.2 FINANCE LEASE RECEIVABLES (Continued)

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	2021	2020
	€	€
Finance income on the net investment in finance leases	**27,881**	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 are 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 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
Balance at 1 January 2021	**1,869,720**	**21,156,390**	**3,000,000**	**816,893**	**594,309**	**27,437,312**
Additions	**-**	**3,262,293**	**11,900**	**72,000**	**-**	**3,346,193**
Effects of movement in exchange rates	**50,646**	**581,328**	**-**	**55,996**	**-**	**687,970**
Balance at 31 December 2021	**1,920,366**	**25,000,011**	**3,011,900**	**944,889**	**594,309**	**31,471,475**
Amortisation						
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
Balance at 1 January 2021	**-**	**12,733,598**	**1,825,000**	**1,621**	**49,526**	**14,609,745**
Charge for the year	**-**	**840,661**	**200,000**	**12,405**	**49,529**	**1,102,595**
Impairment during the year	**-**	**-**	**17,055**	**-**	**-**	**17,055**
Balance at 31 December 2021	**-**	**13,574,259**	**2,042,055**	**14,026**	**99,055**	**15,729,395**
Carrying amounts						
At 1 January 2020	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
At 31 December 2021	**1,920,366**	**11,425,752**	**969,845**	**930,863**	**495,254**	**15,742,080**

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

10.2 THE COMPANY

	Internally generated computer software	Software rights	Total
	€	€	€
Cost			
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
Balance at 1 January 2021	**18,920,578**	**3,000,000**	**21,920,578**
Additions	**2,783,666**	**-**	**2,783,666**
Balance at 31 December 2021	**21,704,244**	**3,000,000**	**24,704,244**
Amortisation			
Balance at 1 January 2020	12,045,441	1,625,000	13,670,441
Amortisation for the year	677,640	200,000	877,640
Balance at 31 December 2020	12,723,081	1,825,000	14,548,081
Balance at 1 January 2021	**12,723,081**	**1,825,000**	**14,548,081**
Amortisation for the year	**843,599**	**200,000**	**1,043,599**
Impairment during the year	**-**	**17,055**	**17,055**
Balance at 31 December 2021	**13,566,680**	**2,042,055**	**15,608,735**
Carrying amounts			
At 1 January 2020	5,104,242	1,375,000	6,479,242
At 31 December 2020	6,197,497	1,175,000	7,372,497
At 31 December 2021	**8,137,564**	**957,945**	**9,095,509**

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 INTANGIBLE ASSETS AND GOODWILL (Continued)

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 their internally generated computer software as yet since they are not operating on their own platform. The remaining amortisation period ranges depending on when the assets are available for use, and generally do not exceed 15 years being the total amortisation period.

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 5 years (2020: 6 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 14 years (2020: 15 years).

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 10 years (2020: 11 years).

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. 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. 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 INC.. As at the end of 31 December 2021, the total shareholding stood at 56.47% (2020: 57.05%). For this purpose, Management prepared forecasts of net cash flows for the five-year period 2022 - 2026 (2020: 2021 - 2025) and applied growth rates for subsequent years.

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

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.

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

In order to estimate the Enterprise Value of the subsidiary, which was 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 net 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 forecast net cash flows for five years and a terminal growth rate of 1.86%. 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 2021, the projection risk of 6.0% as well as a small company risk premium of 3.5% were reflected in the forecasted net cash (outflows)/inflows.

Discount rate*:

	2021
Post-tax	15.2%
Pre-tax	18.4%

* 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.

Comparative 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 was engaged in order to assist with 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.

10.8.3 TERMINAL GROWTH RATE

Cash flows beyond 2026 have been extrapolated using a terminal growth rate of 1.86% (2020: 2.00%). 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 INTANGIBLE ASSETS AND GOODWILL (Continued)

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

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 2021 which stood at €10.9m (2020: €10.7m).

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 €7.7m (2020: €1.7m), of which goodwill amounts to €0.7m (2020: €0.6m).

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, during the period ending on 31 December 2020, goodwill arose from the acquisition of 100% of the issued share capital of Kalicom Zahlungssysteme GmbH (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 2022 - 2026 (2020: 2021 - 2025) and applied growth rates for subsequent years.

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, giro card (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 1,800 merchants under management.

10 INTANGIBLE ASSETS AND GOODWILL (Continued)

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

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 1.06% (2020: 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 both 2021 and 2020, the projection risk of 4.0% (2020: 4.0%) as well as a small company risk premium of 2.0% (2020: 2.0%) were reflected in the forecasted net cash (outflows)/inflows.

Discount rate*:

	2021	2020
Post-tax	10.5%	11.0%
Pre-tax	13.7%	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 INTANGIBLE ASSETS AND GOODWILL (Continued)

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

10.9.3 TERMINAL GROWTH RATE

Cash flows beyond 2026 have been extrapolated using a terminal growth rate of 1.06% (2020: 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 €2.0m (2020: €2.1m), of which goodwill amounts to €1.3m (2020: €1.3m). At Company level, the carrying amount comprises the cost of investment in shares and advances to the subsidiary which at 31 December 2021 amounted to €2.9m (2020: €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	
	2021	2020
	€	€
Balance at 1 January	**16,306,108**	14,475,363
Contribution to subsidiaries	**1,636,876**	1,830,745
Balance at 31 December	**17,942,984**	16,306,108

11.2 CONTRIBUTIONS TO SUBSIDIARIES

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

11 INVESTMENTS IN SUBSIDIARIES (Continued)

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

	Registered office	Ownership interest fully paid-up 2021 %	2020 %	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	**56.47**	57.05	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-Straβe 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	Martin-Behaim-Straβe 15A 63263 Neu-Isenburg Germany	**100.00**	100.00	Holding company

11 INVESTMENTS IN SUBSIDIARIES (Continued)

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

In addition, RS2 Merchant Services Europe GmbH owns the following subsidiaries:

	Registered office	Ownership interest fully paid-up		Nature of business
		2021	2020	
		%	%	
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**	100.00	Merchant Solutions

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, with the former company being the remaining company. 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 cash-settled 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. The carrying amount is tested for impairment as disclosed in Note 10.8.4.

As at 31 December 2021 issued ordinary share capital in RS2 Software INC. amounted to €1,398,576 (2020: €1,398,576). Profit for the year amounts to €773,577 (2020: loss of €5,065,085) and the accumulated losses total €4,265,379 (2020: €5,190,453). 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 a negative €234,020 (2020: €38,775).

11 INVESTMENTS IN SUBSIDIARIES (Continued)

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 to 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 2021 which stood at €2.2m (2020: €2.5m). 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.

As at 31 December 2021 issued ordinary share capital in RS2 Smart Processing Limited amounted to €1,500,000 (2020: €1,500,000). Profit for the year amounted to €934,336 (2020: loss of €153,187) and the accumulated losses amounted to €728,933 (2020: €1,663,269). Other reserves relates to post-employment benefits to key management personnel amounting to €22,978 (2020: €16,482).

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 2021 issued ordinary share capital in RS2 Software LAC LTDA amounted to €789 (2020: €789). Loss for the year amounts to €2,189 (2020: profit of €4,228) and accumulated losses amounted to €36,242 (2020: €34,053). 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 €15,047 (2020: €15,251).

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 2021 issued ordinary share capital in RS2 Software APAC Inc. amounted to €112,105 (2020: €112,105). Profit for the year amounts to €958,957 (2020: €135,312) and the retained earnings reserve totals €1,506,508 (2020: €529,450). 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 a negative €41,886 (2020: €64,201).

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.7 INVESTMENT IN RS2 SOFTWARE APAC INC. (Continued)

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 2021 which stood at €1.1m (2020: €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. 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.

11.8 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 2021 issued ordinary share capital in RS2 Germany GmbH amounted to €25,000 (2020: €25,000). Loss for the year amounts to €1,642 (2020: profit of €21,879) and the retained earnings reserve totals €626,549 (2020: €628,189).

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 2021 which stood at €0.7m (2020: €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 a company registered in Germany, representing 100.00% of the share capital of this subsidiary.

As at 31 December 2021, issued ordinary share capital in RS2 Merchant Services Europe GmbH amounted to €25,000 (2020: €25,000). The loss for the year amounts to €1,029,134 (2020: €907,348) and the accumulated losses total €2,058,409 (2020: €1,029,274). Other reserves amount to €2,850,000 (2020: €1,050,000).

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 2021 which stood at €2.9m (2020: €1.1m). 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 INVESTMENTS IN SUBSIDIARIES (Continued)

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.

11.11 NON-CONTROLLING INTERESTS

As at 31 December 2021, RS2 Software p.l.c.'s investment in RS2 Software INC. stood at 56.47% (2020: 57.05%), whilst the NCI's percentage shareholding stood at 43.53% (2020: 42.95%). On the other hand, RS2 Software p.l.c.'s investment in RS2 Software LAC LTDA stood at 99.00% (2020: 99.00%), whilst the NCI's percentage shareholding stood at 1.00% (2020: 1.00%).

RS2 Software INC.	**2021**	2020
NCI percentage	**43.53%**	42.95%
Non-current assets	**8,982,568**	7,021,186
Current assets	**8,545,143**	4,478,148
Non-current liabilities	**(1,407,823)**	(1,075,193)
Current liabilities	**(19,220,712)**	(14,177,244)
Net liabilities	**(3,100,824)**	(3,753,103)
Net liabilities attributable to NCI	**(1,349,789)**	(1,611,958)
Adjustments:		
Share of capital contribution due to the Company	**(4,244,818)**	(4,123,191)
Adjustment upon elimination of investment in subsidiary	**213,368**	207,365
Amounts due to the Company	**(59,621)**	(58,827)
Amounts due to subsidiaries	**(12,242)**	(11,149)
Foreign currency translation reserve attributable to NCI	**(84,034)**	400,140
Other adjustments	**744,027**	551,998
Net assets attributable to other NCI	**362**	341
Net liabilities attributable to total NCI	**(4,792,747)**	(4,645,281)
Revenue	**16,122,061**	8,869,476
Profit/(Loss)	**773,577**	(5,065,085)
Total comprehensive income	**16,895,638**	3,804,391
Income/(Loss) attributable to NCI	**336,738**	(2,175,454)
(Loss)/Profit attributable to other NCI	**(22)**	214
Profit/(Loss) attributable to total NCI	**336,716**	(2,175,240)
Cash flows from operating activities	**1,646,126**	8,140,245
Cash flows from investing activities	**(1,778,253)**	(4,973,540)
Cash flows from financing activities (dividends to NCI: Nil)	**98,489**	714,913
Net movement in cash and cash equivalents	**(33,638)**	3,881,618

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.12 ACQUISITION OF RS2 SOFTWARE ZAHLUNGSSYSTEME GMBH

In December 2019, the RS2 Group (RS2 Holding Europe GmbH) 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, giro card/direct debit processing, routing of credit card transactions and referral of acquiring services.

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, 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 Capital Market 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. provided the purchaser with an intercompany loan to cover the purchase price and the acquisition related costs. The costs related to this acquisition amounted to €225,000 on legal fees and other related costs and were included within the line item administrative expenses in the 2020 statement of profit or loss.

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 2020 €
Property, plant and equipment	40,360
Right-of-use assets	51,341
Intangible assets – customer and other related contractual relationship	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

11 INVESTMENTS IN SUBSIDIARIES (Continued)

11.12 ACQUISITION OF RS2 SOFTWARE ZAHLUNGSSYSTEME GMBH (Continued)

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.

The fair value of finance lease receivables was €80,294 at date of acquisition, and was deemed as fully recoverable.

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 NON-CURRENT ASSET CLASSIFIED AS HELD-FOR-SALE

This asset comprised an investment in a company incorporated in the US which engages in the provision of end-to-end electronic payment platforms. Under IFRS 9, this investment was classified as an equity instrument designated at FVTOCI upon initial recognition, but was subsequently reclassified to Non-current Asset classified as Held-for-Sale at 31 December 2020.

In November 2020, Management were 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 no longer be in line with RS2 Group's strategy. In this respect, the equity value as at end of December 2020 was 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 (being the fair value at date of disposal), with the gain in fair value of investment in equity instruments being taken to other comprehensive income. This sale was concluded successfully during 2021 and this asset was subsequently derecognised in the books of the Company. No significant gains or losses were recorded upon disposal of this investment in 2021 when compared to the carrying amount as at 31 December 2020. As further disclosed in Note 23.1, dividends received from this investment in 2021 amounted to €10,230 (2020: €31,018).

13 INVENTORIES

	The Group	
	2021	2020
	€	€
Current		
Finished goods - terminals at cost	**81,244**	21,391

Inventories recognised as an expense during the year ended 31 December 2021 amounted to €54,026 (2020: €85,237). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to €3,608 (2020: €nil).

None of these inventories have been pledged as security for liabilities (2020: none).

14 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Trade receivables	**5,210,591**	1,806,290	**1,315,537**	410,511
Amounts owed by subsidiaries	**-**	-	**15,303,578**	7,277,151
Amounts owed by other related parties	**686,846**	167,989	**686,846**	167,989
Other receivables	**168,466**	762,010	**2,806**	4,861
	6,065,903	2,736,289	**17,308,767**	7,860,512

Transactions with related parties are set out in Note 31 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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Loans receivable from parent company	**-**	796,631	**-**	796,625
Loans receivable from other group companies	**-**	-	**2,107,484**	2,303,004
	-	796,631	**2,107,484**	3,099,629
Current				
Loans receivable from parent company	**944,103**	-	**944,103**	-
Amounts owed by group companies	**-**	-	**225**	225
Amounts owed by other related parties	**1,462**	910	**1,462**	910
	945,565	910	**945,790**	1,135

Amounts due by parent company are unsecured and bear interest at the rate of 3% per annum. The parent company shall settle the balance by way of a sale of shares which it holds in a subsidiary company. Subsequent to year end, terms of the arrangement were agreed between the parties. The ultimate shareholder, Radi Abd El Haj, has provided a personal guarantee on all amounts receivable from the parent company, should it fail to settle the amounts due.

Amounts due by RS2 Software LAC LTDA of €57,484 as at 31 December 2021 (2020: €52,998) were unsecured, repayable on demand and did not bear any interest.

Amount due by RS2 Financial Services GmbH of €50,000 as at 31 December 2021 (2020: €50,000) was 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 €2.0m (2020: €2.2m) 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 31 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 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Current				
Contract assets owed by third parties	**3,468,459**	1,237,306	**760,770**	797,757
Contract assets owed by parent company	**-**	120,000	**-**	120,000
Contract assets owed by subsidiary	**-**	-	**5,080,021**	7,613,401
Contract assets owed by other related parties	**308,079**	974,144	**308,079**	974,144
	3,776,538	2,331,450	**6,148,870**	9,505,302
Contract costs	**-**	94,136	**-**	85,000
	3,776,538	2,425,586	**6,148,870**	9,590,302

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Category of activity				
Licence fees excluding customisation	**268,297**	372,604	**268,297**	5,329,291
Service fees, transaction processing and customisation	**3,500,070**	1,958,846	**5,190,007**	1,864,515
Maintenance fees	**7,615**	-	**273,600**	704,100
Re-imbursement of expenses	**556**	-	**120**	-
Other recharges	**-**	-	**416,846**	1,607,396
	3,776,538	2,331,450	**6,148,870**	9,505,302
Contract costs	**-**	94,136	**-**	85,000
	3,776,538	2,425,586	**6,148,870**	9,590,302

15 ACCRUED INCOME AND CONTRACT COSTS (Continued)

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

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Balance at 1 January	**2,331,450**	1,959,235	**9,505,302**	4,418,561
Increases as a result of further progress	**3,394,931**	1,364,484	**5,190,279**	7,639,603
Release of opening contract assets to revenue	**(1,819,543)**	(487,735)	**(8,511,643)**	(3,712,235)
Other movements	**4,776**	(500,534)	**(17,892)**	1,163,373
Movement on expected credit losses on contract assets	**(135,076)**	(4,000)	**(17,176)**	(4,000)
Balance at 31 December	**3,776,538**	2,331,450	**6,148,870**	9,505,302

Transactions with related parties are set out in Note 31 to these financial statements.

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 2021 and 2020 due to the fact that the related activities to which those contract costs relate had not commenced during these periods. As at 31 December 2021, provisions on group contract costs amounted to €nil (2020: €1.2m). The provision booked in 2020 was fully written off during 2021.

16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash at bank	**8,214,173**	6,817,075	**1,258,534**	1,535,884
Cash in hand	**3,725**	5,179	**2,138**	4,182
Bank overdraft	**(42)**	(9,657,211)	**(42)**	(9,657,211)
	8,217,856	(2,834,957)	**1,260,630**	(8,117,145)

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	
	2021	2020
ISSUED SHARE CAPITAL	**€**	€
Ordinary shares - issued and fully paid-up		
192,968,569 shares at €0.06 per share	**11,578,114**	11,578,114

	Group and Company	
	2021	2020
	€	€
Preference shares - issued and fully paid-up		
8,989,600 shares at €0.06 per share	**539,376**	-

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. During the same meeting, it was also resolved that the authorised share capital be split between €14,400,000 (240,000,000) ordinary shares and €3,600,000 (60,000,000) preference shares, both at €0.06 each.

17 CAPITAL AND RESERVES (Continued)

17.1 SHARE CAPITAL (Continued)

SHAREHOLDER RIGHTS

Ordinary shares

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

Preference shares

During the current year, the Company issued 8,989,600 preference shares with a nominal value of €0.06 per share, at an offer price of €1.75. The shares are denominated in EUR. The Preference Shares carry the right to participate in the Company's profits in the form of non-cumulative dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares.

The Preference Shareholders have the right to attend general meetings of the Company but, save for specific circumstances as documented in the Company's Memorandum and Articles of Association, do not have the right to vote at any general meeting of the Company. In those cases, where Preference Shareholders have the right to vote, such Preference Shareholders have one vote in respect of each Preference Share whereas Ordinary Shareholders have two in respect of each Ordinary Share. The Preference Shareholders carry the right to participate in any distribution of capital made whether on a winding up or otherwise, pari passu with all other Ordinary Shares. The Preference Shares are not redeemable or convertible into any other form of security.

Preference share capital is shown net of total share issuance costs of €491,610 (2020: €136,556) directly attributable to the issue of the preference shares. Share issuance costs relate to expenditure associated with issuing preference shares and include registration fees, legal fees and marketing expenses.

17.2 SHARE PREMIUM

As at 31 December 2021, share premium reserve amounted to €15,193,501, of which an amount of €15,192,424 represents the share premium on the subscription of 8,989,600 preference shares of a nominal value of €0.06 each at a share price €1.75 each.

The share premium amount of €1,077 (2020: €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. This share premium balance is 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.

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.

17 CAPITAL AND RESERVES (Continued)

17.2 SHARE PREMIUM (Continued)

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 arrangement.

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.

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 CAPITAL AND RESERVES (Continued)

17.5 AVAILABILITY OF RESERVES FOR DISTRIBUTION

The non-distributable reserves include the Share premium reserve, Employee benefits reserve, Fair value reserve, Translation Reserve, Other reserves and the Share option reserve.

18 BANK BORROWINGS

	Group and Company	
	2021	2020
	€	€
Non-current liabilities		
Bank loan	**1,124,000**	1,621,137
	1,124,000	1,621,137
Current liabilities		
Bank loan	**497,900**	484,670
Bank overdraft	**42**	9,657,211
	497,942	10,141,881

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, which expired on 30 April 2021. The bank overdraft balance was later settled in May 2021.

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 €5,288,076 and a pledge on a comprehensive insurance policy covering the hypothecated property.

18.2 UNDRAWN OVERDRAFT FACILITIES

As at 31 December 2021, the Group had undrawn overdraft facilities of €10.0m (2020: €7.8m).

19 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

The Group	Assets		Liabilities		Balance	
	2021	2020	2021	2020	2021	2020
	€	€	€	€	€	€
Property, plant and equipment	-	-	(143,535)	(108,154)	(143,535)	(108,154)
Intangible assets	166,364	208,325	(2,634,975)	(2,373,793)	(2,468,611)	(2,165,468)
Impairment loss on receivables	126	431,782	-	-	126	431,782
Provision for exchange fluctuations	51,984	358,708	-	-	51,984	358,708
Provision for legal claims	45,193	-	-	-	45,193	-
Other provisions	97,438	-	-	-	97,438	-
Unabsorbed losses	-	342,505	(24,804)	-	(24,804)	342,505
Temporary difference on expected credit losses under IFRS 9	158,413	-	-	(15,050)	158,413	(15,050)
Temporary difference on revenues previously recorded under IAS 18	188,545	-	(292,600)	(104,055)	(104,055)	(104,055)
Temporary difference on leases under IFRS 16	311	3,379	(2,281)	(2,328)	(1,970)	1,051
Temporary difference arising from other liabilities	2,281	2,329	-	-	2,281	2,329
Tax assets/(liabilities)	710,655	1,347,028	(3,098,195)	(2,603,380)	(2,387,540)	(1,256,352)
Set off of tax	(710,655)	(1,347,028)	710,655	1,347,028	-	-
Net tax liabilities	-	-	(2,387,540)	(1,256,352)	(2,387,540)	(1,256,352)

The Company	Assets		Liabilities		Balance	
	2021	2020	2021	2020	2021	2020
	€	€	€	€	€	€
Property, plant and equipment	-	-	(95,399)	(104,044)	(95,399)	(104,044)
Intangible assets	-	-	(2,043,278)	(1,805,481)	(2,043,278)	(1,805,481)
Impairment loss on receivables	-	-	-	-	-	-
Provision for exchange fluctuations	47,391	345,141	-	-	47,391	345,141
Provision for legal claims	45,193	-	-	-	45,193	-
Other provisions	97,438	-	-	-	97,438	-
Temporary difference on expected credit losses under IFRS 9	61,396	-	-	(15,050)	61,396	(15,050)
Temporary difference on revenues previously recorded under IAS 18	188,545	188,545	-	-	188,545	188,545
Temporary difference on leases under IFRS 16	311	3,379	-	-	311	3,379
Tax assets/(liabilities)	440,274	537,065	(2,138,677)	(1,924,575)	(1,698,403)	(1,387,510)
Set off of tax	(440,274)	(537,065)	440,274	537,065	-	-
Net tax liabilities	-	-	(1,698,403)	(1,387,510)	(1,698,403)	(1,387,510)

The deferred tax liability includes the temporary differences between the written down value and the net book value of the Group's and 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 2021 amounted to €2,956,977 (2020: €7,991,841).

19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movement in temporary differences during the year are as follows:

The Group	Balance 1 Jan 2020 €	Recognised in profit or loss €	Balance 31 Dec 2020 €	Recognised in profit or loss €	Balance 31 Dec 2021 €
Property, plant and equipment	(98,541)	(9,613)	(108,154)	**(35,381)**	**(143,535)**
Intangible assets	(2,090,993)	(74,475)	(2,165,468)	**(303,143)**	**(2,468,611)**
Impairment loss on receivables	51,472	380,310	431,782	**(431,656)**	**126**
Provision for exchange fluctuations	70,470	288,238	358,708	**(306,724)**	**51,984**
Provision for legal claims	-	-	-	**45,193**	**45,193**
Other provisions	-	-	-	**97,438**	**97,438**
Unabsorbed losses	376,017	(33,512)	342,505	**(367,309)**	**(24,804)**
Unabsorbed capital allowances	346,822	(346,822)	-	**-**	**-**
Temporary difference on expected credit losses under IFRS 9	13,650	(28,700)	(15,050)	**173,463**	**158,413**
Temporary difference on revenues previously recorded under IAS 18	(63,513)	(40,542)	(104,055)	**-**	**(104,055)**
Temporary difference on leases under IFRS 16	4,091	(3,040)	1,051	**(3,021)**	**(1,970)**
Temporary difference on revenues recognised in line with IFRS 15	(43,629)	43,629	-	**-**	**-**
Temporary difference arising from other liabilities	-	2,329	2,329	**(48)**	**2,281**
	(1,434,154)	177,802	(1,256,352)	**(1,131,188)**	**(2,387,540)**

The Company	Balance 1 Jan 2020 €	Recognised in profit or loss €	Balance 31 Dec 2020 €	Recognised in profit or loss €	Balance 31 Dec 2021 €
Property, plant and equipment	(97,634)	(6,410)	(104,044)	**8,645**	**(95,399)**
Intangible assets	(1,667,493)	(137,988)	(1,805,481)	**(237,797)**	**(2,043,278)**
Impairment loss on receivables	1,869	(1,869)	-	**-**	**-**
Provision for exchange fluctuations	71,322	273,819	345,141	**(297,750)**	**47,391**
Provision for legal claims	-	-	-	**45,193**	**45,193**
Other provisions	-	-	-	**97,438**	**97,438**
Temporary difference on expected credit losses under IFRS 9	13,650	(28,700)	(15,050)	**76,446**	**61,396**
Temporary difference on revenues recognised in line with IFRS 15	229,087	(40,542)	188,545	**-**	**188,545**
Temporary difference on leases under IFRS 16	4,091	(712)	3,379	**(3,068)**	**311**
	(1,445,108)	57,598	(1,387,510)	**(310,893)**	**(1,698,403)**

20 TRADE AND OTHER PAYABLES

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Trade payables	**1,754,589**	809,996	**508,230**	453,738
Other payables	**64,961**	599,177	**198,477**	350,332
Dividends payable	**33,045**	34,890	**33,045**	34,890
Other taxes and social securities	**30,344**	696,429	**317,605**	649,002
Amounts due to other related parties	**12,796**	26,387	**362,353**	496,048
	1,895,735	2,166,879	**1,419,710**	1,984,010

Transactions with related parties are set out in Note 31 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 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Accrued expenses owed to third parties	**2,844,289**	2,571,298	**922,849**	887,498
Amounts due to other related parties	**611,422**	805,238	**585,206**	689,824
	3,455,711	3,376,536	**1,508,055**	1,577,322

21 ACCRUALS AND DEFERRED INCOME (Continued)

21.2 DEFERRED INCOME

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Contract liabilities owed by third parties	**1,254,231**	1,390,824	**1,061,241**	1,104,270
Contract liabilities owed by subsidiary	**-**	-	**528,000**	528,000
Contract liabilities owed by other related parties	**312,771**	472,959	**312,771**	472,959
	1,567,002	1,863,783	**1,902,012**	2,105,229
Deferred income owed by subsidiary	**-**	-	**104,628**	47,907
	1,567,002	1,863,783	**2,006,640**	2,153,136

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Category of activity				
Licence fees excluding customisation	**26,250**	26,250	**506,250**	506,250
Service fees, transaction processing and customisation	**188,967**	407,240	**78,457**	168,686
Maintenance fees	**1,292,285**	1,370,793	**1,257,805**	1,370,793
Comprehensive packages	**59,500**	59,500	**59,500**	59,500
	1,567,002	1,863,783	**1,902,012**	2,105,229
Deferred income owed by subsidiary	**-**	-	**104,628**	47,907
	1,567,002	1,863,783	**2,006,640**	2,153,136

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

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Balance at 1 January	**1,863,783**	1,836,512	**2,105,229**	1,903,695
Release of opening contract liabilities to revenue	**(580,774)**	(106,782)	**(572,674)**	(81,469)
Increases due to cash received, excluding amounts recognised as revenue during the year	**398,072**	461,889	**398,072**	266,667
Other movements	**(114,079)**	(327,836)	**(28,615)**	16,336
Balance at 31 December	**1,567,002**	1,863,783	**1,902,012**	2,105,229

22 REVENUE

22.1 DISAGGREGATION OF REVENUE

Revenue is stated after deduction of sales rebates and indirect taxes and comprises revenue from contracts with customers (except for operating lease income).

In the following table, revenue is disaggregated by category of activity. The below table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

The Group	Software (Licensing) Solutions		Processing Solutions		Merchant Solutions		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	€	€	**€**	€	**€**	€	**€**	€
Category of activity								
Licence fees excluding customisation	**4,965,218**	2,794,782	**-**	-	**-**	-	**4,965,218**	2,794,782
Service fees, transaction processing and customisation	**9,115,727**	7,610,226	**18,681,693**	10,173,682	**2,016,958**	1,905,791	**29,814,378**	19,689,699
Maintenance fees	**3,059,168**	3,367,073	**117,167**	41,417	**24,270**	13,599	**3,200,605**	3,422,089
Comprehensive packages	**714,000**	714,000	**-**	-	**-**	-	**714,000**	714,000
Re-imbursement of expenses	**-**	28,616	**(42,219)**	78,816	**-**	25,385	**(42,219)**	132,817
Operating lease revenue	**-**	-	**-**	-	**27,881**	60,335	**27,881**	60,335
	17,854,113	14,514,697	**18,756,641**	10,293,915	**2,069,109**	2,005,110	**38,679,863**	26,813,722

The revenue recognised in the Group's statements of profit or loss during the year ended 31 December 2021 amounted to €10.1m (2020: €5.4m) 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.

The below table outlines the Company's revenue disaggregated by category of activity.

The Company	2021	2020
	€	€
Category of activity		
Licence fees	**3,337,656**	5,500,927
Service fees	**16,520,262**	13,335,887
Maintenance fees	**3,945,703**	3,963,499
Comprehensive packages	**714,000**	714,000
Re-imbursement of expenses	**9,344**	298,569
	24,526,965	23,812,882

In the following tables, revenue is disaggregated by primary geographical markets. The below table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

22 REVENUE (Continued)

22.1 DISAGGREGATION OF REVENUE (Continued)

The Group	Software (Licensing) Solutions		Processing Solutions		Merchant Solutions		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	€	€	**€**	€	**€**	€	**€**	€
Geographical markets								
Europe	**12,110,410**	10,844,724	**4,330,851**	2,496,979	**2,069,109**	2,005,110	**18,510,370**	15,346,813
Middle East	**730,946**	716,273	**105,104**	184,834	**-**	-	**836,050**	901,107
North America	**4,650,218**	2,407,643	**11,471,802**	6,461,884	**-**	-	**16,122,020**	8,869,527
South America	**-**	-	**1,151,728**	64,144	**-**	-	**1,151,728**	64,144
Asia	**362,539**	546,057	**1,697,156**	1,086,074	**-**	-	**2,059,695**	1,632,131
	17,854,113	14,514,697	**18,756,641**	10,293,915	**2,069,109**	2,005,110	**38,679,863**	26,813,722

As outlined in the above table, the Group's revenue is mainly generated through sales transactions concluded with customers situated in Europe and North America (2020: Europe).

The below table outlines the Company's revenue disaggregated by primary geographical markets.

The Company	2021	2020
	€	€
Geographical markets		
Europe	**14,241,202**	12,309,742
Middle East	**730,947**	716,273
North America	**9,494,564**	10,454,365
Asia	**60,252**	332,502
	24,526,965	23,812,882

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Receivables, which are included in 'Trade and other receivables'	**6,065,903**	2,736,289	**17,308,767**	7,860,512
Contract assets	**3,776,538**	2,331,450	**6,148,870**	9,505,302
Contract liabilities	**(1,567,002)**	(1,863,783)	**(1,902,012)**	(2,105,229)

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 2021 and 2020.

2021	**The Group**			
	2022	**2023**	**2024 and beyond**	**Total**
	€	**€**	**€**	**€**
Licence fees	**19,964**	**-**	**300,000**	**319,964**
Services fees	**108,065**	**10,763**	**125,000**	**243,828**

	The Company			
	2021	**2022**	**2023 and beyond**	**Total**
	€	**€**	**€**	**€**
Licence fees	**19,964**	**-**	**780,000**	**799,964**
Services fees	**5,940**	**-**	**173,000**	**178,940**

22 REVENUE (Continued)

22.3 FUTURE REVENUES (Continued)

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

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.

23 PROFIT BEFORE INCOME TAX

The Group's and Company's profit before income tax includes total fees charged by the auditors of the Group and Company for:

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Audit fee	**210,195**	180,000	**205,195**	175,000
Total fees payable to the Company's auditors for non-audit services other than other assurance and tax advisory services	**24,500**	52,500	**2,000**	30,000
	234,695	232,500	**207,195**	205,000

The fees payable to other auditors of the subsidiaries in relation to audit services for 2021 amount to €9,863 (2020: €7,617).

23.1 OTHER INCOME

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Other income	**323,014**	73,551	**241,821**	8,769
Dividend receivable	**10,230**	31,018	**10,230**	31,018
	333,244	104,569	**252,051**	39,787

23 PROFIT BEFORE INCOME TAX (Continued)

23.1 OTHER INCOME (Continued)

During the years ended 31 December 2021 and 2020, 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 2021, grants amounted to €16,775 (2020: €8,769) which are captured as part of other income in the note above.

23.2 OTHER EXPENSES

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Fines and penalties	**26,066**	29,975	**15,931**	29,036
Impairment loss on intangible asset	**17,055**	-	**17,055**	-
Other expenses	**22,052**	26,777	**3,897**	-
	65,173	56,752	**36,883**	29,036

23.3 EXCHANGE GAIN/(LOSS) ON OPERATING ACTIVITIES

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Unrealised operating exchange gains/(losses)	**189,646**	(730,466)	**848,127**	(727,399)
Realised operating exchange losses	**(17,725)**	(55,710)	**(89,926)**	(59,508)
	171,921	(786,176)	**758,201**	(786,907)

23.4 IMPAIRMENT LOSS ON TRADE RECEIVABLES AND CONTRACT ASSETS

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Decrease in provision for impairment loss on trade receivables	**(53,068)**	(145,385)	**-**	(5,344)
Increase in provision for impairment loss on trade receivables	**-**	53,066	**-**	-
Bad debts written off	**227,067**	111,354	**2,362**	-
Increase in provision on contract costs	**-**	1,045,586	**-**	-
Movement in provision for expected credit losses	**409,608**	5,427	**132,416**	1,000
Impairment loss on contract assets	-	3,000	-	3,000
	583,607	1,073,048	**134,778**	(1,344)

The increase in provision for contract costs in 2020 was fully written off during the year ended 31 December 2021.

23 PROFIT BEFORE INCOME TAX (Continued)

23.5 EXPENSES BY NATURE

	Note	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Wages and salaries	27	**19,960,906**	19,429,910	**10,330,465**	9,903,256
Directors' emoluments	27	**1,579,106**	1,377,007	**1,459,106**	1,257,007
Non-competition benefits	27	**93**	173	**93**	173
Share-based arrangements	27	**332,628**	271,560	**-**	(10,385)
Subcontracted costs		**712,578**	843,621	**4,901,109**	3,640,835
Professional fees		**1,204,477**	1,287,208	**233,259**	475,910
Consultancy fees		**2,472,780**	505,254	**2,025,643**	429,968
Travelling expenses		**190,076**	329,689	**97,220**	214,017
Participation in fairs and seminars		**1,644**	6,330	**-**	2,500
Depreciation	8, 9	**1,099,279**	1,104,994	**345,827**	375,935
Amortisation	10	**1,102,595**	939,304	**1,043,599**	877,640
Impairment gain/(loss) on trade receivables	23.4	**583,607**	24,462	**134,778**	(4,344)
Impairment gain on contract assets	23.4	**-**	3,000	**-**	3,000
Impairment loss on contract costs	23.4	**-**	1,045,586	**-**	-
Impairment on intangible asset	10	**-**	-	**17,055**	-
Recharge of expenses to intercompany		**-**	-	**(685,052)**	(326,857)
Other Expenses		**3,387,091**	3,228,091	**247,962**	940,026
		32,626,860	30,396,189	**20,151,064**	17,778,681

24 FINANCE INCOME AND FINANCE COSTS

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Bank interest income	**1,413**	1,409	**240**	115
Interest on loans receivable	**27,473**	10,435	**85,017**	72,085
Discount unwind of trade receivables	**-**	-	**-**	9,387
Change in fair value of interest rate swap	**660**	8,836	**660**	8,836
Other interest and similar income	**27,960**	19,928	**-**	-
Finance income	**57,506**	40,608	**85,917**	90,423
Bank interest expense	**(148,863)**	(242,105)	**(148,862)**	(242,050)
Other expenses	**-**	(539)	**-**	-
Non-operating unrealised exchange gain/(loss)	**6,325**	(145,368)	**2,587**	(65,852)
Interest expense on lease liabilities	**(57,472)**	(63,561)	**(12,988)**	(13,551)
Finance costs	**(200,010)**	(451,573)	**(159,263)**	(321,453)
Net finance costs	**(142,504)**	(410,965)	**(73,346)**	(231,030)

All the above items of finance income and cost are recognised in profit or loss.

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25 INCOME TAX EXPENSE

25.1 RECOGNISED IN PROFIT OR LOSS

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Current tax expense				
Current tax charge for the year	**1,935,066**	2,237,153	**1,487,119**	2,220,786
Withholding tax on interest received	**33**	28	**33**	17
Foreign tax charge for the year	**1,149**	2,258	**-**	-
	1,936,248	2,239,439	**1,487,152**	2,220,803
Deferred tax expense				
Origination and reversal of temporary differences	**1,131,188**	(172,884)	**310,893**	(57,598)
Income tax expense	**3,067,436**	2,066,555	**1,798,045**	2,163,205

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 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Profit/(loss) before tax	**6,415,664**	(3,888,863)	**5,312,807**	5,842,958
Income tax using the domestic income tax rate of 35%	**2,245,482**	(1,361,102)	**1,859,482**	2,045,035
Effect of tax rates in foreign jurisdictions	**(204,736)**	1,293,342	**-**	-
Tax effect of:				
Non-taxable income	**1,812**	(13,562)	**(231)**	(6,378)
Non-deductible expenses	**294,511**	(1,351,168)	**5,577**	104,796
Different tax rates on bank interest income	**(48)**	(23)	**(48)**	(23)
Depreciation charges not deductible by way of capital allowances	**(96,986)**	(39)	**-**	-
Unrecognised deferred tax assets on unrelieved tax losses	**263,982**	2,194,492	**-**	-
Elimination of intercompany transaction	**630,154**	1,284,840	**-**	-
Other disallowed expenses	**(66,735)**	19,775	**(66,735)**	19,775
Income tax expense	**3,067,436**	2,066,555	**1,798,045**	2,163,205

26 EARNINGS PER SHARE

The calculation of basic earnings per share is calculated by dividing the profit attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding during the year (the denominator). The earnings used in the calculation is net of all expenses including taxes, minority interests and preference dividends.

The earnings used in the calculation is net of all expenses including taxes, minority interests and preference dividends which do not meet the definition of ordinary shares for the purpose of this calculation. For the Company's ordinary shares, the EPS was derived by dividing the profit of the Group of €2,912,160 (2020: loss of €3,780,178) and the Company of €3,398,808 (2020: €3,679,753) by 192,968,569 (2020: 192,968,569), being the equivalent weighted-average number of shares outstanding during the year. For the Company's preference shares, which meet the definition of another class of ordinary shares for the purpose of this calculation and which were issued during the current year, the EPS was derived by dividing the profit of the Group of €99,352 and the Company of €115,954 by 5,984,857, being the equivalent weighted-average number of shares outstanding during the year.

Earnings per ordinary share of the Group and the Company for the year ended 31 December 2021 amounted to €0.015 and €0.018 respectively (2020: -€0.020 and €0.019 respectively). Earnings per preference share of the Group and the Company for the same reporting period amounted to €0.017 and €0.019 respectively.

Due to the variable element on the preference share entitlement, on the basis of trends in the current share price, an assumption has been taken where the preference dividend will not exceed 10% of the dividend on the ordinary shares.

27 PERSONNEL EXPENSES

Personnel expenses incurred by the Group and the Company during the year are analysed as follows:

		The Group		The Company	
		2021	2020	**2021**	2020
	Note	**€**	**€**	**€**	**€**
Directors' emoluments:					
Fees		**477,484**	443,253	**477,484**	443,253
Remuneration		**1,000,604**	840,720	**880,604**	720,720
Indemnity insurance		**25,586**	17,602	**25,586**	17,602
Fringe benefits		**75,432**	75,432	**75,432**	75,432
Key management personnel emoluments:					
Remuneration		**2,376,402**	2,407,482	**1,181,282**	1,134,401
Non-competition benefits	28	**93**	173	**93**	173
Share-based arrangements	29	**324,978**	233,268	**-**	(10,385)
Fringe benefits		**10,396**	12,163	**7,396**	7,213
		4,290,975	4,030,093	**2,647,877**	2,388,409
Other personnel emoluments:					
Wages and salaries		**16,082,209**	15,644,136	**8,619,093**	8,254,605
Social security contributions		**1,491,899**	1,366,129	**522,694**	507,037
Share-based arrangements	29	**7,650**	38,292	**-**	-
		21,872,733	21,078,650	**11,789,664**	11,150,051

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27 PERSONNEL EXPENSES (Continued)

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	
	2022	2021	**2022**	2021
	No.	No.	**No.**	No.
Operating	**322**	268	**201**	191
Management and administration	**96**	80	**56**	52
	418	348	**257**	243

27.1 GOVERNMENT GRANTS

During 2020, RS2 Software INC. submitted an SBA Paycheck Protection Program (PPP) loan application which was granted in due course. In addition to this, RS2 Financial Services GmbH and RS2 Zahlungssysteme GmbH also took advantage of COVID-19 schemes available to them in 2020 and accordingly applied for a wage supplement covering the reduced hours worked by employees of these German entities during the initial lock-down period. These grants were approved and paid out by the German Government.

Payroll grants of €nil (2020: €560,154) were netted off against personnel expenses of RS2 Group, in accordance with the requirements of IAS 20. There were no unfulfilled conditions or other contingencies attaching to these grants. In 2021, RS2 Group did not benefit directly from any government grants or any other forms of government assistance, except as disclosed in Note 23.1.

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 2021 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 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.

28 POST-EMPLOYMENT BENEFITS (Continued)

When estimating the expected years to retirement, the Directors considered the current age and the expected retirement age of key management personnel. An average of the remaining number of years each member of key management personnel is expected to work until retirement age, is deemed to be 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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Post-employment liabilities				
Present value at 1 January	**4,073,687**	2,946,511	**3,630,934**	2,363,471
Recognised in profit or loss:				
Discount unwind	**93**	173	**93**	173
Post-employment benefit written off/settled during the year	**(111,420)**	(147,234)	**(111,420)**	-
Recognised in other comprehensive income:				
Remeasurement adjustment	**(52,814)**	1,274,237	**(46,319)**	1,267,290
Present value at 31 December	**3,909,546**	4,073,687	**3,473,288**	3,630,934

Balances as at 31 December 2021 are deemed to fall due after more than one year. The re-measurement adjustment is as a result of financial actuarial losses resulting from an adjustment in the annual salary of certain executives.

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	
	2021	2020	**2021**	2020
Discount rates	**0% - 0.029%**	0% - 0.054%	**0% - 0.029%**	0% - 0.054%
Expected years to termination (weighted average)	**6.51yrs**	6.82yrs	**6.52 yrs**	6.80yrs
Rate of projected salary increase	**3%**	3%	**3%**	3%

28 POST-EMPLOYMENT BENEFITS (Continued)

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.

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 €218,510 (decreases by €1,823) at Company level and €245,931 (decreases by €1,823) 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 €190,045 (decreases by €176,285) at Company level and increases by €216,614 (decreases by €201,328) 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 €209,545 (decreases by €196,212) at Company level and increases by €237,822 (decreases by €223,019) at Group level.

29 SHARE-BASED PAYMENT ARRANGEMENTS

At 31 December 2021, 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 was limited to 2% of the then issued share capital of the Company (850,000 shares). Options were 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.

During the year ended 31 December 2021, a total of 108,973 share options were exercised, whilst a total of 73,467 share options expired, resulting in 100,600 (2020: 283,040) share options outstanding at 31 December 2021. The weighted average exercise price amounted to €1.82 (2020: €2.17) during the year ended 31 December 2021.

This RS2 Employee Share Option Scheme expired in February 2022. Any unexercised shares will no longer be available to be exercised by the employees.

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 resulted in a net loss rather than a net profit at the end of the three-year period. 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 2021, a provision of €255,000 (2020: €255,000) is included in the Group's and Company's Other Reserves. The movement in this provision from 2019 to 2020 reflected a change in estimate resulting in a change in the estimated payment from 100% to 85%.

As further disclosed in Note 33.3, in the first quarter of 2022, this employee agreed to receive the respective amount in cash instead of shares. Such amount of €255,000 was settled in March 2022.

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.

As further disclosed in Note 10.8.2, following the termination of employment of the executive, a management's third party expert was engaged in order to assist in the valuation of the minority stake held in RS2 Software INC. The liability as at 31 December 2020, amounting to €1m (USD 1.2m), is based on that valuation, which was approved by the Board of RS2 Software Inc. In estimating the liability, certain assumptions were made, as further herein.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED) (Continued)

RS2 Software INC.'s Board of Directors held several meetings and in-depth discussions whereby the Board agreed to offer a maximum amount of €1.32m (USD1.5m) in this respect. The Board of the subsidiary believes that this amount exceeds the fair market value of the 12,500 shares. The liability as at end of the current financial reporting period reflects this offer and the movement is being recognised accordingly in profit or loss.

The subsidiary's offer was accepted by the executive in the first quarter of 2022 as full and final settlement of the share buy-back transaction. Refer to Note 33.1 for further detail.

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. From the total allocated share options, 1,563 share options remain in effect as at 31 December 2020 and 2021.

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.

The key assumptions used in the calculation of the value of the cash-settled share-based awards for the remaining two management personnel of RS2 Software INC. are the forecasted net cash flows and the discount rate used in a risk-adjusted cash flow forecast, with the pre-tax discount rate used being 18.4% (post-tax: 15.2%).

Valuation approach in the comparative year

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: o 65% of committed transaction-based revenue; o 55% of named clients expected to be contracted in the near term; o 35% of other unnamed clients with whom agreements are still being negotiated; and o 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: o 80% of committed transaction-based revenue; o 55% of named clients expected to be contracted in the near term; o 45% of other unnamed clients with whom agreements are still being negotiated; and o 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.

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%).

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 2021 relating to the aforementioned executive's shares and the two remaining management personnel's shares amounted to €332,630 (2020: €281,946) and the corresponding liability at year-end amounted to €1,407,822 (2020: €1,075,194), which was computed on the graded vesting approach. In respect of the executive, 100% of the Award shares were vested by 31 December 2020.

29 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

29.3 PERFORMANCE-RELATED SHARE-BASED PAYMENT (CASH-SETTLED) (Continued)

In respect of the share options relating to the management personnel of RS2 Software INC., 95% of the outstanding options were vested by 31 December 2021 (2020: 68%).

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-Current liabilities				
Share-based payments	**57,038**	77,194	-	-
Current liabilities				
Share-based payments	**1,350,784**	998,000	-	-

30 CAPITAL COMMITMENTS

The Group and the Company have no capital commitments in 2021 and 2020.

31 RELATED PARTIES

31.1 PARENT AND ULTIMATE CONTROLLING PARTY

The Company is owned by ITM Holding Limited, a local registered company which holds 50.04% (2020: 50.04%) of ordinary shares and 0.32% (2020: nil) of preference shares in RS2 Software p.l.c.. ITM's registered office 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% (2020: 50.04%) of the issued ordinary share capital and 0.32% (2020: nil) of the issued preference share capital of the Company.

Given that the Preference Shareholders shall not, save for specific circumstances as documented in the Company's Memorandum and Articles of Association, have the right to vote at any general meeting of the Company, as disclosed in Note 17.1, as a result, the voting rights vested in the Ordinary Shareholders were not diluted as a consequence of the Offer.

31.2 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 €45,456 (2020: €79,535) 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 €38,157 (2020: €39,303).

31 RELATED PARTIES (Continued)

31.2 IDENTITY OF RELATED PARTIES (Continued)

Directors of the Company hold directly and indirectly 51.36% (2020: 51.70%) of the voting shares of the Company.

31.3 RELATED PARTY TRANSACTIONS

	The Group		The Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Parent company				
Interest charged to	**27,473**	10,455	**27,473**	10,455
Subsidiaries				
Support services provided to			**12,533,450**	12,053,767
Support services provided by			**(4,665,067)**	(3,361,020)
Recharge of salaries to			**-**	(29,001)
Other related parties				
Depreciation charge on right-of-use asset	**172,000**	172,000	**-**	-
Interest expense on lease liability	**20,904**	23,590	**-**	-
Legal and administrative services provided by	**286,590**	212,478	**241,134**	132,943
Support services provided to	**4,546,317**	4,501,673	**4,546,317**	4,501,673
Support services not yet invoiced provided to	**308,079**	974,144	**308,079**	974,144

31.4 RELATED PARTY BALANCES

The Group and Company enter into transactions with key management personnel during the course of their normal business. Transactions with key management personnel are set out in Notes 27 and 29 to these financial statements but are not included in Note 31.3. Additional information on amounts due to/by related parties is set out in Notes 14, 15, 20 and 21 to these financial statements. Such amounts due to/by related parties are unsecured, repayable on demand and do not bear any interest other than disclosed in those notes. As disclosed in Note 14.1, the ultimate shareholder has provided a personal guarantee in favour of the Company on all amounts due by the parent company.

In addition, as further disclosed in Note 9.1.5, the Group has an agreement for leased offices in Neu-Isenburg, Germany, with a related party. As at 31 December 2021, ROU assets amounting to €1,203,999 (2020: €1,375,999) and lease liabilities amounting to €1,232,593 (2020: €1,397,688) relating to this lease are included within the Group's Statements of Financial Position. The depreciation charge for the year in relation to this asset amounts to €172,000 (2020: €172,000) and the interest expense for the year in relation to this lease liability amounted to €20,904 (2020: €23,590).

32 PROVISIONS AND CONTINGENT LIABILITIES

32.1 PROVISION FOR LEGAL CLAIM BY DEBTOR

During the year ended 31 December 2021, a provision was booked in relation to a claim by one of the Company's debtors. Although it transpired that the Company was not legally obliged to settle any amounts in relation to the claim raised, the Company offered the debtor an amount of €116,543 as a discount against future services.

32.2 LEGAL DISPUTE WITH A FORMER EMPLOYEE

During the year ended 31 December 2021, a provision was booked in relation to an ongoing dispute with a former employee of RS2 Software p.l.c., whose employment was terminated on 26 May 2020. During the first quarter of 2022, an out of court settlement agreement took place in respect of this legal obligation by RS2 Software p.l.c.. As disclosed in Note 33.2, the parties signed a settlement agreement in March 2022, agreeing to a payment of €12,579.

32.3 PROVISION FOR COSTS INCURRED IN RELATION TO PROFESSIONAL ADVICE

During the year ended 31 December 2021, a provision of €100,000 was accounted for by the Group and the Company in relation to expenses incurred to date covering advice obtained from various legal advisors.

32.4 PROVISION FOR RECTIFICATION OF WORK

During the year ended 31 December 2021, the Group and the Company accounted for a provision of €178,394 in respect of rectification of work which needs to be carried out imminently.

The amounts in respect of the provisions detailed above in Notes 32.1 to 32.4 are expected to be settled within the next year, although an element of uncertainty still exists.

33 SUBSEQUENT EVENTS

33.1 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. A management's third party expert was engaged in order to assist in the valuation of the minority stake in RS2 Software INC (refer to Note 29.3). Although as at 31 December 2020, the 12,500 shares of the executive of RS2 Software INC. were valued at €1m (USD1.2m) by the afremoentioned management's third party expert, RS2 Software INC.'s Board of Directors held several meetings and in-depth discussions whereby it was agreed by the board, that the maximum amount to be offered in respect of this case is €1.4m (USD1.5m). In this respect, the liability as at the end of the current financial reporting period accordingly reflects this, being the amount paid to this executive in the first quarter of 2022 as full and final settlement of the share buy-back transaction.

33.2 SETTLEMENT OF A LEGAL DISPUTE

During the year ended 31 December 2021, a provision was booked in relation to an ongoing dispute with a former employee of RS2 Software p.l.c., whose employment was terminated on 26 May 2020. During the first quarter of 2022, an out of court settlement agreement took place in relation to this dispute. The parties signed a settlement agreement in March 2022, agreeing to a payment of €12,579.

33.3 RESIGNATION OF A SENIOR MANAGEMENT EMPLOYEE HAVING A PERFORMANCE-RELATED SHARE-BASED PAYMENT (EQUITY-SETTLED)

In the first quarter of 2022, an employee who was due to receive a performance-related share-based payment (equity-settled) agreed to receive the respective amount in cash instead. Such amount of €255,000 was settled in March 2022.

33.4 SETTLEMENT AGREEMENT WITH A PARTY RELATED TO THE STRATEGIC ARRANGEMENTS IN PLACE WITHIN THE TRAVEL INDUSTRY

In February 2018, the Group entered into an agreement with a party, related to the strategic arrangements in place within the travel industry. The Group incurred €1m worth of contract costs mainly related to the costs incurred by the Group in relation to the provision of scoping and development services necessary for the implementation of pilot services, in anticipation of a potential long-term strategic relationship with this party, for the development and commercialisation of a customised processing and payments solution for use in the travel industry. The total costs incurred were fully provided for in the financial year ended 31 December 2020 since the project was put on hold, and subsequently written off in the current financial year since there was no potential of the project ever kicking-off any longer. That being said, subsequent to year end, the aforementioned party approached RS2 Group with a settlement agreement, which the Group accepted. As per settlement agreement dated 6 March 2022, RS2 received an amount of €229,200 as full and final settlement of the costs incurred.

33 SUBSEQUENT EVENTS (Continued)

33.5 IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic has, to date, not had any significant impact on Group and Company operations. Management do not envisage there to be any further repercussions or negative impacts to the Group's and Company's operations in the years to come, specifically due to the pandemic.

33.6 CONFLICT BETWEEN RUSSIA AND UKRAINE

In February 2022, Russia launched a large-scale military invasion of Ukraine, one of its neighbours to the southwest, marking a major escalation to a conflict that began in 2014. The Group and Company do not have any customers domiciled in such countries, and no significant impact is expected to be incurred.

34 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).

In the Key Figures table in the Directors' Report, as from 1 January 2021, fines and penalties started to be accounted for under Other Expenses instead of under Finance Costs. As such, EBITDA and EBITDA margin figures between 2017 and 2020 have been re-stated accordingly.

Directors Reports - Key Figures	**2020**	**2019**	**2018**	**2017**
(As previously reported)	**€**	**€**	**€**	**€**
EBITDA	(1,404)	(199)	7,851	2,902
EBITDA Margin	-5.24%	0.90%	31.39%	16.69%

Directors Reports - Key Figures	**2020**	**2019**	**2018**	**2017**
(As restated)	**€**	**€**	**€**	**€**
EBITDA	(1,464)	(210)	7,846	2,902
EBITDA Margin	-5.46%	-95.00%	31.37%	16.66%

In statement of cash flow, "Repayment of lease liabilities", an amount of €64,100 for the Group and €13,551 for the Company was reclassified from "Cash flows from financing activities" to "Cash flows from operating activities" under "Interest paid on lease liabilities".

		The Group		**The Company**	
		(restated)	(as reported)	**(restated)**	(as reported)
		2020	2020	**2020**	2020
		€	€	**€**	€
Cash flows from operating activities					
Interest paid on lease liabilities		**(64,100)**	-	**(13,551)**	-
Cash flows from financing activities					
Repayment of lease liabilities	9	**(455,615)**	(519,715)	**(26,918)**	(40,469)

In Note 6.5.1, specifically the table showing the sensitivity assessment performed when assuming a 10 percent strengthening of the Euro against foreign currencies, the 2020 impact on equity and profit or loss for NZD was updated as it was erroneously presented in prior year financial statements.

	The Group		**The Group**	
	Equity	Equity	**Profit or loss**	Profit or loss
	(restated)	(as reported)	**(restated)**	(as reported)
	€	€	**€**	€
31 December 2020				
NZD	**(71,214)**	(1,547,488)	**(71,214)**	(1,547,488)

34 COMPARATIVE INFORMATION (Continued)

Moreover, the tables for the comparative year illustrating individual and collective impairments for both the Group and the Company have been adjusted to reflect the rationale applied in the current reporting period. For the Group, an amount of €120,000 relating to accrued income in respect of a related party has been reclassified from "Collective Impairments" to "Individual Impairments" under "Lifetime ECL not-credit impaired" section.

Furthermore, for both the Group and the Company, gross carrying amounts totalling to €1,402,597 have been reclassified from "Individual Impairments" to "Collective Impairments" under "Lifetime ECL not-credit impaired" section whilst loss allowances totalling to €1,000 have been reclassified from "Individual Impairments" to "Collective Impairments" under "Lifetime ECL not-credit impaired" section as well. The latter reclassification has also been reflected in the tables of the Group and the Company showing the movement in loss allowances during the comparative period, as well as the opening balance of loss allowances on 1 January 2021.

31 December 2020	**The Group**		**The Group**	
	Lifetime ECL not-credit impaired		**Lifetime ECL not-credit impaired**	
Trade debtors, contract assets and Finance lease receivables	**Individual Impairments (restated)**	**Collective Impairments (restated)**	**Individual Impairments** (as reported)	**Collective Impairments** (as reported)
	€	**€**	**€**	**€**
Internal rating grades				
Not in default - simplified model applied	**120,000**	**6,395,627**	1,402,597	5,113,030
In default	**-**	**-**	-	-
Gross carrying amount at 31 December 2020	**120,000**	**6,395,627**	1,402,597	5,113,030
Loss allowance at 31 December 2020	**-**	**(43,000)**	(1,000)	(42,000)
Net carrying amount at 31 December 2020	**120,000**	**6,352,627**	1,401,597	5,071,030

31 December 2020	**The Company**		**The Company**	
	Lifetime ECL not-credit impaired		**Lifetime ECL not-credit impaired**	
Trade debtors and contract assets	**Individual**	**Collective**	**Individual**	**Collective**
Internal rating grades	**Impairments (restated)**	**Impairments (restated)**	**Impairments** (as reported)	**Impairments** (as reported)
	€	**€**	€	€
Not in default - simplified model applied	**14,743,099**	**2,750,715**	16,145,696	1,348,118
In default	**-**	**-**	-	-
Gross carrying amount at 31 December 2020	**14,743,099**	**2,750,715**	16,145,696	1,348,118
Loss allowance at 31 December 2020	**-**	**(43,000)**	(1,000)	(42,000)
Net carrying amount at 31 December 2020	**14,743,099**	**2,707,715**	16,144,696	1,306,118

31 December 2020	**The Group**		**The Group**	
	Lifetime ECL not-credit impaired		**Lifetime ECL not-credit impaired**	
	Individual Impairments (restated)	**Collective Impairments (restated)**	**Individual Impairments** (as reported)	**Collective Impairments** (as reported)
Trade debtors, contract assets and finance lease receivables	**€**	**€**	€	€
Opening balance at 1 January 2020	**-**	**39,000**	1,000	38,000
Movement during the year	**-**	**4,000**	-	4,000
Closing balance 31 December 2020	**-**	**43,000**	1,000	42,000

31 December 2020	**The Company**		**The Company**	
	Lifetime ECL not-credit impaired		**Lifetime ECL not-credit impaired**	
	Individual Impairments (restated)	**Collective Impairments (restated)**	**Individual Impairments** (as reported)	**Collective Impairments** (as reported)
Trade receivables and contract assets	**€**	**€**	€	€
Opening balance at 1 January 2020	**-**	**39,000**	1,000	38,000
Movement during the year	**-**	**4,000**	-	4,000
Closing balance 31 December 2020	**-**	**43,000**	1,000	42,000

34 COMPARATIVE INFORMATION (Continued)

In Note 15 "Accrued income and contract costs", an amount of €4,000 was reclassified from "Other movements" to "Movement on expected credit loss on contract assets".

	The Group		The Company	
	2020	2020	**2020**	2020
	(restated)	(as reported)	**(restated)**	(as reported)
	€	€	**€**	€
Other movements	**(500,534)**	(504,534)	**1,163,373**	1,159,373
Movement on expected credit losses on contract assets	**(4,000)**	-	**(4,000)**	-

In Note 21 "Accruals and deferred income", an amount of €805,238 was reclassified from "Accrued expenses owed to third parties" to "Amounts due to other related parties".

Accruals	The Group		The Company	
	2020	2020	**2020**	2020
	(restated)	(as reported)	**(restated)**	(as reported)
	€	€	**€**	€
Accrued expenses owed to third parties	**2,571,298**	3,376,536	**887,498**	1,370,248
Amounts due to other related parties	**805,238**	-	**689,824**	207,074
	3,376,536	3,376,536	**1,577,322**	1,577,322

In Note 23.5 "Expenses by nature", the line item "other expenses" included recharge of expenses from the Company to a subsidiary, which are accounted for as a reduction in the expenses in the books of the Company. Therefore, an amount of (€326,857) was reclassified from the line item "other expenses" to "recharge of expenses to intercompany", and thus the other expenses now reads €940,026.

Expenses by Nature	The Group		The Company	
	2020	2020	**2020**	2020
	(restated)	(as reported)	**(restated)**	(as reported)
	€	€	**€**	€
Recharge of expenses to intercompany	**-**	-	**(326,857)**	-
Other Expenses	**3,228,091**	3,198,116	**940,026**	584,133

34 COMPARATIVE INFORMATION (Continued)

In Note 24 "Finance Income and Finance Costs", an amount of €543 was reclassified from "interest expense on lease liabilities" to "other expenses". In addition, for 2020, amounts of €29,975 and €29,036 for the Group and Company respectively, were reclassified from "Other expenses" within Note 24 "Finance Income and Finance Costs" to "Fines and penalties" within Note 23.2 "Other expenses". Furthermore, for 2020, realised operating exchange losses of €55,710 and €59,508 for the Group and the Company respectively, were reclassified from "Other Expenses" to "Exchange gain/(loss) on operating activities". Also for 2020, unrealised operating exchange losses of €730,466 and €727,399 for the Group and the Company respectively, were reclassified from "Other Expenses" to "Exchange gain/(loss) on operating activities". These reclassifications were also reflected in the Statement of Profit or Loss ended on 31 December 2020.

Statements of Profit or Loss	**The Group**		**The Company**	
	2020 (restated) €	2020 (as reported) €	**2020 (restated) €**	2020 (as reported) €
Other expenses	**(56,752)**	(812,953)	**(29,036)**	(786,907)
Exchange gain/(loss) on operating activities	**(786,176)**	-	**(786,907)**	-
Finance costs	**(451,573)**	(481,548)	**(321,453)**	(350,489)

FINANCE COSTS	**The Group**		**The Company**	
	2020 (restated) €	2020 (as reported) €	**2020 (restated) €**	2020 (as reported) €
Other expenses	**(539)**	(29,975)	-	(29,036)
Interest expense on lease liabilities	**(63,561)**	(64,100)	**(13,551)**	(13,551)

The above reclassification also resulted in a change in Note 7 Operating segments as can be noted below.

	The Group	
	2020 (restated) €	2020 (as reported) €
Finance expense		
Total finance expense for reportable segments	**502,427**	502,427
Elimination of inter-segment transactions	**(50,854)**	(20,879)
Consolidated finance expense	**451,573**	481,548

Other expenses	**The Group**		**The Company**	
	2020 (restated) €	2020 (as reported) €	**2020 (restated) €**	2020 (as reported) €
Realised operating exchange losses	-	55,710	-	59,508
Unrealised operating exchange losses	-	730,466	-	727,399
Fines and penalties	**29,975**	-	**29,036**	-

Exchange gain/(loss) on operating activities	**The Group**		**The Company**	
	2020 (restated) €	2020 (as reported) €	**2020 (restated) €**	2020 (as reported) €
Unrealised operating exchange losses	**(730,466)**	-	**(727,399)**	-
Realised operating exchange losses	**(55,710)**	-	**(59,508)**	-
	(786,176)	-	**(786,907)**	-

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Independent Auditors' Report

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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.l.c. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 51 to 176, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2021, and the Statements of Profit or Loss, 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 2021, 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' *International Code of Ethics for Professional Accountants including International Independence Standards* (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. 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).

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Independent Auditors' Report (Continued)

To the Members of RS2 Software p.l.c.

Report on the Audit of the Financial Statements ***(Continued)***

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 matters described below were addressed in the context of our audit of the individual and consolidated 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 2021 relating to the Group's US operations amounted to *EUR0.7m* and the amount of goodwill that arose on the acquisition of Kalicom business in Germany during the previous 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.

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 testing 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.

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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)

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 2021 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 2021, the Company held an investment with a carrying amount of *EUR10.9m* in its US subsidiary, RS2 Software Inc.. 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 2021, the Company also held an investment with a carrying amount of *EUR2.9m* in the German intermediate holding company, RS2 Merchant Services Europe GmbH, which reported a loss for the year ended 31 December 2021 of *EUR1m*. 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 RS2 Zahlungssysteme GmbH (previously Kalicom Zahlungssysteme KG) purchased during the previous 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.

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 testing 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 disclosures state that the recoverable amount of each of these investments in subsidiary was determined by the Company to be higher than its carrying amount.

Other Information

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 Corporate Social Responsibility section, (vi) the Directors’ Report, (vii) the Corporate Governance Statement of Compliance, (viii) the Remuneration Report, (viii) the Statement of Directors pursuant to Capital Market Rule 5.68, (ix) Company Information and (x) the Directors’ responsibilities for the financial statements, which we obtained prior to the date of this auditor’s report.

However, the other information does not include the individual and consolidated financial statements, our auditor’s report and the relevant tagging applied in accordance with the requirements of the European Single Electronic Format, as defined in our *Report on Other Legal and Regulatory Requirements.*

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 Capital Markets Rules issued by the Malta Financial Services Authority, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Deloitte.

Independent Auditors' Report (Continued)

To the Members of RS2 Software p.l.c.

Report on the Audit of the Financial Statements ***(Continued)***

Other Information (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 Rule 5.62 of the Capital Markets Rules 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 21 to 34, 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 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 50, 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.

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.

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

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.

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.

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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 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.
- 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.

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)

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.

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 compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS")

Pursuant to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority, we have undertaken a reasonable assurance engagement in accordance with the requirements of the *Accountancy Profession (European Single Electronic Format) Assurance Directive* issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281), hereinafter referred to as the "ESEF Directive 6", on the annual financial report of the Company and the Group for the year ended 31 December, 2021, prepared in a single electronic reporting format.

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Independent Auditors' Report (Continued)

To the Members of RS2 Software p.l.c.

Report on the Audit of the Financial Statements **(Continued)**

Report on Other Legal and Regulatory Requirements (Continued)

Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS") (Continued)

Solely for the purposes of our reasonable assurance report on the compliance of the annual financial report with the requirements of the ESEF RTS, the "Annual Financial Report" comprises the Directors' Report, Directors' responsibilities for the Financial Statements, the Corporate Governance Statement of Compliance, the annual financial statements, Company Information, and the Independent auditor's report, as set out in Capital Markets Rules 5.55.

Responsibilities of the Directors for the Annual Financial Report

The directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS,
- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error, and consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

Auditor's responsibilities for the Reasonable Assurance Engagement

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tags therein comply, in all material respects, with the ESEF RTS, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

The nature, timing and extent of procedures we performed, including the assessment of the risks of material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error, were based on our professional judgement and included:

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 Reasonable Assurance Engagement (Continued)

- Obtaining an understanding of the Company’s and the Group’s internal controls relevant to the financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- Examining the information in the Annual Financial Report to determine whether all the required tags therein have been applied and evaluating the appropriateness, in all material respects, of the use of such tags in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

Reasonable Assurance Opinion

In our opinion, the Annual Financial Report for the year ended 31 December, 2021 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

This reasonable assurance opinion only covers the transfer of the information in Annual Financial Report into a single electronic reporting format as required by the ESEF RTS, and therefore does not cover the information contained in the Annual Financial Report.

Report on Corporate Governance Statement of Compliance

Pursuant to Rule 5.94 of the Capital Markets Rules issued by the Malta Financial Services Authority, 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 Capital Markets 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 Rule 5.97 of the Capital Markets Rules.

Deloitte.

Independent Auditors' Report (Continued)

To the Members of RS2 Software p.l.c.

Report on the Audit of the Financial Statements ***(Continued)***

Report on Corporate Governance Statement of Compliance (Continued)

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, 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 Rule 5.97 of the Capital Markets Rules.

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 35 to 43 has been properly prepared in accordance with the requirements of Rules 5.94 and 5.97 of the Capital Markets Rules.

Report on Remuneration Report

Pursuant to Rule 12.26K of the Capital Markets Rules issued by the Malta Financial Services Authority, 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 to Chapter 12 of the Capital Markets Rules.

Our responsibility is laid down by Rule 12.26N of the Capital Markets Rules, 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 Capital Markets Rules, including Appendix 12.1, has been included.

In our opinion, the Remuneration Report set out on pages 44 to 47 includes the information that needs to be provided in the Remuneration Report in terms of the Capital Markets Rules.

Independent Auditors' Report (Continued)

To the Members of RS2 Software p.l.c.

Report on the Audit of the Financial Statements ***(Continued)***

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.

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 auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm is four 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

27 April 2022

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