COMPUTIME HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements
31 December 2020

Company Registration Number: C 74592

Directors' report

The directors present their report and the audited financial statements of Computime Holdings Limited (the 'Company') and the consolidated financial statements of the Group of which it is the parent (the "financial statements") for the year ended 31st December 2020.

Principal activities

Computime Holdings Limited is the parent company of the Computime Group which includes mainly Computime Limited and Computime Software Limited, (collectively the "Group"). The Group's principal activity is the provision of business-to-business quality ICT solutions in Malta and overseas. The Group operates four main business divisions: Computime Software (ERP and software development), Computime Technology (technical and system integrator business), BRS (banking regulatory reporting software) and ComplyRadar (AML transaction monitoring solution).

Review of the business

The Group's revenue for the year ended 31st December 2020 amounts to €13.9 million (2019: €14.8 million). The revenue figure is analysed by segment in Note 19 to the financial statements. The revenue recognition policy for the various segments is disclosed in Note 2.18 to the financial statements.

Operating profit for the year increased by 18% to €1.27 million. Profit before tax increased by 10% to €1.23 million. This bottom line improvement was primarily driven by strong growth in the BRS division (i.e., the banking regulatory reporting software business).

The directors expect the present level of activity and the Group's financial position to be maintained and improved in the foreseeable future.

COVID-19 impact

The COVID-19 virus hit the world and businesses by surprise; what looked to be a regional issue in late 2019, quickly spread globally in 2020 resulting in government-mandated lockdowns in many countries. Working from home became the norm and interaction with customers could only be done virtually. This acid test for business continuity plans hit many companies hard.

The directors are pleased to report that in spite of this difficult situation, the Group experienced little impact on financial performance and the business carried on at a steady pace. The executive team responded in a prompt and effective manner, implementing the Group's business continuity procedures towards the end of March 2020. The key measure was the shift to full remote working, with the exception of a small 'skeleton' staff that remained stationed at the premises, working under strict health, hygiene, and safety standards. The transition was seamless and very successful, thanks to the Group's years of experience with remote working and the ICT resources that were already in place before COVID-19 started.

The Company did not avail itself of any government aid in terms of rent concessions and/or wage supplements.

Directors' report - continued

Future developments

Revenue and profits are expected to improve again in financial year 2021, as the effects of the COVID-19 pandemic start to wane. Initial indications are showing a significant improvement in the first three quarters of 2021 when compared with the same period of the previous year.

The Group is committed to continue investing in widening its technology portfolio, and in upgrading its internal processes, on both the operational and business development fronts. ComplyRadar (the AML transaction monitoring solution) will remain the key focus in terms of product development, as the client base for the solution launched in 2019 keeps growing at a steady pace.

Results and dividends

The statement of comprehensive income is set out on page 11. During the year ended 31 December 2020, the directors declared a dividend of €1,490,000 (2019: 457,000). The directors propose that the balance within the retained earnings of the Group amounting to €1,790,192 (2019: €2,550,590) be carried forward to the next financial year.

Risk management and exposures

The Group's activities expose it to a variety of financial risk such as market risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's principal risks and uncertainties are disclosed in Note 5 "Financial risk management" to the financial statements.

Events after the reporting period

The directors do not have anything to report in terms of material events that occurred after the reporting period.

Directors

The directors of the Company who held office during the year were:

- Mr. Anthony Mahoney - Chairman
- Mr. Louis Bellizzi
- Mr. Andrew Borg
- Mr. Mario Mizzi
- Mr. John Wood

The Company's Articles of Association do not require any directors to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going-concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, (Cap. 386). They 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.

Auditors

Grant Thornton Malta have been appointed as the company's new auditors starting with the audit of financial year 2020.

On behalf of the board

Mr. John Wood
Director

Mr. Louis Bellizzi
Director

170, Pater House
Psaila Street
Birkirkara BKR 9077
Malta

29 October 2021

To the shareholders of Computime Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Computime Holdings Limited set out on pages 8 to 50 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the consolidated financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 to 4 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements, and
- the directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 consolidated financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 consolidated 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 entities 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.

We communicate with those charged with governance 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

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap. 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

The engagement partner on the audit resulting in this independent auditor's report is Sharon Causon.

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants
Grant Thornton
Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

29 October 2021

Statements of financial position

		Group			Company	
		As at 31 December		At 1 January	As at 31 December	
		2020	2019 Restated	2019 Restated	**2020**	2019
	Notes	**€**	€	€	**€**	€
ASSETS						
Non-current assets						
Property, plant and equipment	6	**199,712**	256,373	312,068	**-**	-
Intangible assets	7	**5,969,604**	5,969,754	5,970,234	**-**	-
Right-of-use assets	8	**1,076,610**	69,305	175,438	**-**	-
Investment in subsidiaries	9	**-**	-	-	**6,036,644**	6,036,644
Financial assets at fair value through other comprehensive income	10	**36,688**	43,488	40,608	**-**	-
Deferred tax assets	11	**42,549**	67,544	67,816	**-**	-
Total non-current assets		**7,325,163**	6,406,464	6,566,164	**6,036,644**	6,036,644
Current assets						
Inventories	12	**197,019**	156,269	213,163	**-**	-
Trade and other receivables	13	**2,978,258**	4,347,213	6,904,840	**5,000**	5,000
Cash and cash equivalents	14	**4,299,282**	2,978,368	2,968,077	**382,178**	284,617
Total current assets		**7,474,559**	7,481,850	10,086,080	**387,178**	289,617
Total assets		**14,799,722**	13,888,314	16,652,244	**6,423,822**	6,326,261

Statements of financial position – continued

		Group			Company	
		As at 31 December		At 1 January	As at 31 December	
		2020	2019 Restated	2019 Restated	**2020**	2019
	Notes	€	€	€	€	€
EQUITY AND LIABILITIES						
EQUITY						
Share capital	15	**6,026,500**	6,026,500	6,026,500	**6,026,500**	6,026,500
Other reserves	16	**82,779**	89,579	86,699	**-**	-
Retained earnings		**1,790,192**	2,550,590	2,285,766	**378,445**	282,782
Total equity		**7,899,471**	8,666,669	8,398,965	**6,404,945**	6,309,282
LIABILITIES						
Non-current liabilities						
Lease liabilities	8	**1,000,122**	-	57,840	**-**	-
Deferred tax liabilities	11	**-**	3,340	2,504	**-**	-
Total non-current liabilities		**1,000,122**	3,340	60,344	**-**	-

Statements of financial position – continued

		Group			Company	
		As at 31 December		At 1 January	As at 31 December	
		2020	2019 Restated	2019 Restated	**2020**	2019
	Notes	€	€	€	€	€
Current liabilities						
Derivative financial liabilities	17	**29,713**	4,627	-	-	-
Lease liabilities	8	**70,331**	57,840	104,518	-	-
Trade and other payables	18	**5,407,590**	4,749,297	7,855,801	**18,877**	16,979
Current tax liabilities		**392,495**	406,541	232,616	-	-
Total current liabilities		**5,900,129**	5,218,305	8,192,935	**18,877**	16,979
Total liabilities		**6,900,251**	5,221,645	8,253,279	**18,877**	16,979
Total equity and liabilities		**14,799,722**	13,888,314	16,652,244	**6,423,822**	6,326,261

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 50 were authorised for issue by the board on 29 October 2021 and were signed on its behalf by:

Mr. John Wood
Director

Mr. Louis Bellizzi
Director

Statements of comprehensive income

		Group		Company	
		Year ended 31 December			
		2020	2019 Restated	**2020**	2019
	Notes	**€**	€	**€**	€
Revenue	19	**13,862,496**	14,814,723	**-**	-
Direct costs	20	**(7,248,331)**	(8,485,735)	**-**	-
Operational and administrative expenses	20	**(5,318,048)**	(5,246,524)	**(4,309)**	(3,763)
Fair value loss on derivative financial instruments	17	**(25,086)**	(4,627)	**-**	-
Operating profit/(loss)		**1,271,031**	1,077,837	**(4,309)**	(3,763)
Other income	22	**27,088**	42,371	**2,428,488**	1,000,000
Net finance costs	23	**(66,123)**	(2,471)	**(28)**	(41)
Profit before tax		**1,231,996**	1,117,737	**2,424,151**	996,196
Tax expense	24	**(502,394)**	(395,913)	**(838,488)**	(350,000)
Profit for the year		**729,602**	721,824	**1,585,663**	646,196
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Changes in the fair value of equity investments at fair value through other comprehensive income	10	**(6,800)**	2,880	**-**	-
Total other comprehensive income		**(6,800)**	2,880	**-**	-
Total comprehensive income		**722,802**	724,704	**1,585,663**	646,196

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Other Reserves €	Retained earnings €	Total €
Balance at 31 December 2018 – as previously stated		6,026,500	86,699	2,175,666	8,288,865
Corrections of prior periods errors	4	-	-	110,100	110,100
Balance at 1 January 2019 – as restated		6,026,500	86,699	2,285,766	8,398,965
Comprehensive income					
Profit for the year		-	-	721,824	721,824
Other comprehensive income	16	-	2,880	-	2,880
Total comprehensive income		-	2,880	721,824	724,704
Transactions with owners					
Dividends paid	25	-	-	(457,000)	(457,000)
Total transactions with owners		-	-	(457,000)	(457,000)
Balance at 31 December 2019 – restated		6,026,500	89,579	2,550,590	8,666,669

Statements of changes in equity - continued

Group

	Notes	Share capital €	Other Reserves €	Retained earnings €	Total €
Balance at 1 January 2020 – restated		6,026,500	89,579	2,550,590	8,666,669
Comprehensive income					
Profit for the year		-	-	729,602	729,602
Other comprehensive income	16	-	(6,800)	-	(6,800)
Total comprehensive income		-	(6,800)	729,602	722,802
Transactions with owners					
Dividends paid	25	-	-	(1,490,000)	(1,490,000)
Total transactions with owners		-	-	(1,490,000)	(1,490,000)
Balance at 31 December 2020		**6,026,500**	**82,779**	**1,790,192**	**7,899,471**

Statements of changes in equity - continued

Company

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2019		6,026,500	93,586	6,120,086
Comprehensive income				
Profit for the year		-	646,196	646,196
Total comprehensive income		-	646,196	646,196
Transactions with owners				
Dividends paid	25	-	(457,000)	(457,000)
Total transactions with owners		-	(457,000)	(457,000)
Balance at 31 December 2019		6,026,500	282,782	6,309,282
Comprehensive income				
Profit for the year		-	1,585,663	1,585,663
Total comprehensive income		-	1,585,663	1,585,663
Transactions with owners				
Dividends paid	25	-	(1,490,000)	(1,490,000)
Total transactions with owners		-	(1,490,000)	(1,490,000)
Balance at 31 December 2020		**6,026,500**	**378,445**	**6,404,945**

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Group		Company	
		Year ended 31 December			
		2020	2019 Restated	**2020**	2019
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from/(used in) operations	26	**3,492,923**	809,262	**(2,411)**	(3,103)
Other income received		**27,088**	42,371	**2,428,488**	1,000,000
Net finance cost		**(66,123)**	(2,471)	**(28)**	(41)
Income tax paid		**(494,785)**	(220,880)	**(838,488)**	(350,000)
Net cash generated from operating activities		**2,959,103**	628,282	**1,587,561**	646,856
Cash flows from investing activities					
Purchases of property, plant and equipment	6	**(44,838)**	(56,473)	**-**	-
Net cash used in investing activities		**(44,838)**	(56,473)	**-**	-
Cash flows from financing activities					
Repayment of lease liabilities		**(103,351)**	(104,518)	**-**	-
Dividends paid		**(1,490,000)**	(457,000)	**(1,490,000)**	(350,000)
Net cash used in financing activities		**(1,593,351)**	(561,518)	**(1,490,000)**	(350,000)
Net movement in cash and cash equivalents		**1,320,914**	10,291	**97,561**	189,856
Cash and cash equivalents at beginning of year		**2,978,368**	2,968,077	**284,617**	94,761
Cash and cash equivalents at end of year	14	**4,299,282**	2,978,368	**382,178**	284,617

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

Computime Holdings Limited (the "Company") is a limited liability company domiciled and incorporated in Malta and is the parent company of Computime Group which includes the Company and the subsidiaries as disclosed in Note 9, collectively the "Group".

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386).

These financial statements have been prepared under the historical cost convention, except for the Group's financial assets classified as financial assets at fair value through other comprehensive income and the derivatives financial instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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

Standards, interpretations and amendments to published standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Summary of significant accounting policies – continued

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2. Summary of significant accounting policies – continued

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in euro ("€"), which is both the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not re-translated at the end of the reporting period.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'operational and administrative expenses'.

2.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

Computer and networking equipment	33.33%
Website equipment	33.33%
Furniture, fixtures and fittings	12.5%
Other equipment	10 - 12.5%
Electrical installations and improvements	10%
Motor vehicles	20%
Tools and testing equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains / (losses) - net' in the income statement.

2. Summary of significant accounting policies - continued

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Others

All other intangible assets are stated at historical cost less accumulated amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortisation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

Website development	16.67%
Computer software	16.67%

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Leases

The Group is a lessee under a number of arrangements, primarily relating to immovable property. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2. Summary of significant accounting policies - continued

2.7 Leases - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the respective Group entity's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2. Summary of significant accounting policies - continued

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in either profit or loss or OCI. The Group's financial assets in equity instruments are classified as financial assets at fair value through other comprehensive income. The Group also have derivative financial instruments which are classified as financial instruments at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of significant accounting policies - continued

2.8 Financial assets - continued

(c) Measurement – continued

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its financial assets in debt instruments into the following category:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets are included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income. Impairment losses are presented under 'operational and administrative expenses' in the income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Group's management has made an irrevocable election on initial recognition to present fair value gains and losses on equity investments in OCI and thus there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, or application of an earnings multiple to the estimated earnings of investment companies unless there are indications that another valuation technique should be applied.

Derivative financial instruments

Derivatives instruments are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group's derivatives instruments include forward currency contracts. The Group does not apply hedge accounting with respect to the forward currency contracts and the derivatives are subsequently measured at fair value through profit or loss.

2. Summary of significant accounting policies - continued

2.8 Financial assets - continued

(d) Impairment of financial assets

The Group recognises the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. It measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally-understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's or Fitch.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1 for further details.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, or a market expectation/announcement that a counterparty will default on its payment obligations.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. Summary of significant accounting policies - continued

2.9 Trade and other receivables

Trade receivables are amount due from customers for good sold or services performed in the ordinary course of business. Trade receivables are presented as current assets unless collection is expected after more than one year. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment (Note 2.8). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

2.10 Inventory

Inventory is valued at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

2.13 Trade and other payables

Trade payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies - continued

2.14 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies - continued

2.17 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under trade and other payables in the statement of financial position.

2.18 Revenue recognition

Revenue includes all revenues from the Group's ordinary business activities, with the major sources being renewable licence subscription, maintenance of software systems and sale and installation of computer software for specialised business applications.

The Group assessed at contract inception the goods or services promised in a contract with a customer and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset is recognised if the Group recorded revenue for fulfilment of a contractual performance obligation before the customer paid consideration or is billed. A contract liability is recognised when the customer paid consideration, or a receivable from the customer is due, before the Group fulfils a contractual performance obligation and hence before the Group has recognised revenue.

The Group's revenue recognition policies for specific performance obligations are set out below.

(a) Renewable software subscriptions

Renewable software subscriptions are for a fixed fee and remain valid only for the contracted period of time. Such subscriptions include licences to use the Company's Intellectual Property ("IP") as well as third-party IP for which the Company acts as a reseller. The Company provides software upgrades and/or update for its own IP and customer helpdesk support throughout the licence period for both its own IP and third-party IP.

The Company identifies three performance obligations under such contracts, which are recognised separately, as follows:

- delivery of licence – recognised at a point in time,
- upgrades or updates – recognised on a when-and-if basis, and
- helpdesk support – recognised over time

2. Summary of significant accounting policies – continued

2.18 Revenue recognition – continued

(b) Maintenance agreements

Maintenance agreements are offered by the Company as fixed term (usually for one calendar year) support agreements with the sale of 3rd party software licenses when these are sold on a perpetual basis, and with the sale of hardware / infrastructural solutions. The Company identifies one performance obligation under such agreements, which is the provision of helpdesk support throughout the term of the agreement. Revenue and related costs are recognised over time.

(c) Services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

The services offered by the Company comprise services negotiated on (i) a fixed fee arrangement which includes the design, implementation, software development/configuration and the commissioning of hardware, and (ii) services generally negotiated on a time and materials ("T&M") arrangement which include support services.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. For such contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Under the Company's support and other services arrangements on a T&M basis, each man hour of service provided to a customer gives it a contractual right to bill for those hours. The Company recognises revenue in the income statement in accordance with the pattern with which its contractual right to bill its customers arises.

(d) Software (perpetual licenses)

For such revenues, customers purchase 3rd party software licenses from the Company. The promise generally includes both the supply and the delivery of such software licenses.

Revenue is recognised at a point in time when the transfer of control over the software is passed on to the customer upon its delivery.

(e) Hardware

For such revenues, customers purchase hardware from the Company. The promise generally includes both the supply and the delivery of such hardware. Revenue is recognised at a point in time when the transfer of control over the hardware is passed on to the customer upon its delivery.

2. Summary of significant accounting policies – continued

2.18 Revenue recognition – continued

(f) Others

Others include provision of training and related services for which revenue are recognised at a point in time when such services are rendered to the customers.

2.19 Direct costs

Direct costs are costs related directly in fulfilling a contract that the Group can specifically identify, and which generate or enhance resources of the Group that will be used in satisfying performance obligations in the future.

2.20 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree, which would warrant their description as critical in terms of the requirements of IAS 1.

4. Corrections of prior periods errors

In 2020 management undertook a full reassessment of the Group's accounting policies with respect to IFRS 9 – Financial Instruments, IFRS 15 – Revenue Recognition and IFRS 16 – Leases.

Correction of error with respect to IFRS 9

The Group holds equity investments which are measured at fair value and were previously classified as available-for-sale investments under IAS 39 – Financial Instruments – Recognition and Measurement. On transition to IFRS 9 on 1 January 2019, management made an irrevocable election to account for the equity investments at fair value through other comprehensive income. However, such investments were still classified as available-for-sale investments in the statement of financial position instead of financial assets at fair value through other comprehensive income. The error has been corrected by reclassifying the opening balance of the comparative period of the equity investments to financial assets at fair value through other comprehensive income. The correction of error did not have any impact on the Group's equity both as at 1 January 2019 and 31 December 2019.

Moreover, the Group has forward currency contracts which were omitted in the 2019 financial statements. While the fair value of the forward currency contracts was not significant, management has adjusted financial position as at 31 December 2019 by recognising the fair value of the derivative financial instruments in line with IFRS 9. This has resulted in an increase in the Group's financial liabilities and a decrease in profit before tax by €4,627. The increase in financial liabilities is presented under current liabilities as derivative financial liabilities in the statement of financial position and as fair value loss on derivative financial instruments in the statement of comprehensive income.

Correction of error with respect to IFRS 15

During 2020 management has performed an assessment of its revenue recognition policy for the various revenue stream and discovered that the revenue stream related to the renewable software subscriptions and maintenance was not in line with the requirements of IFRS 15, Revenue from contracts with customers. While the Group is required to identify each performance obligations for its contract with customers and recognised revenue when each performance obligation is met in line with IFRS 15, management was recognising the full revenue over the contract period irrespective of when the performance obligation was met. As a result, the Group's retained earnings were understated while the deferred income classified under trade and other payables was overstated as described in the table below.

Correction of error with respect to IFRS 16

During 2020 management has performed an assessment on its rental arrangements with respect to the lease of office premises and noted that the Group has two arrangements that meet the definition of a lease in accordance with IFRS 16. These arrangements were previously recognised in accordance with IAS 17 – Leases which with effect from 1 January 2019 was replaced by IFRS 16. Under IAS 17, the Group's leases were classified as operating leases and payments made under operating lease were charged to profit or loss on a straight-line basis over the period of the lease. The error has been corrected by recognising a right-of-use asset and a lease liability as at 1 January 2019 in line with the Group's accounting policy for leases in Note 2.7 of these financial statements.

4. Corrections of prior periods errors – continued

The correction of the error as at 1 January 2019 did not have any impact on the Group's retained earnings since the Group's right-of-use assets on initial recognition equals to the lease liabilities, adjusted with the prepaid amounts on that date. For the year ended 31 December 2019, the Group's results and equity was impacted by the difference between the amortisation on the right-of-use assets and interest expense on the lease liabilities which was partly netted against the reversal of the rental expense.

The errors with respect to IFRS 15 and IFRS 16 have been corrected by restating each of the affected financial statements line items for the prior periods as follows:

Balance sheet (extract)	31 December 2019 €	Debit/ (Credit) €	31 December 2019 (Restated) €	1 January 2019 €	Debit/ (Credit) €	31 December 2018 (Restated) €
Right-of-use assets	-	69,305	69,305	-	175,438	175,438
Prepayments - others	66,548	(13,080)	53,468	55,370	(13,080)	42,290
Lease liabilities	-	(57,840)	(57,840)	-	(162,358)	(162,358)
Trade and other payables	(4,893,105)	143,808	(4,749,297)	(7,965,901)	110,100	(7,855,801)
Net assets	**(4,826,557)**	**142,193**	**(4,684,364)**	**(7,910,531)**	**110,100**	**(7,800,431)**
Retained earnings	(2,408,397)	(142,193)	(2,550,590)	(2,175,666)	(110,100)	(2,285,766)
Total equity	**(2,408,397)**	**(142,193)**	**(2,550,590)**	**(2,175,666)**	**(110,100)**	**(2,285,766)**

4. Corrections of prior periods errors – continued

Statement of comprehensive income (extract)	**31 December 2019 €**	**Debit/ (Credit) €**	**31 December 2019 (Restated) €**	**1 January 2019 €**	**Debit/ (Credit) €**	**31 December 2018 (Restated) €**
Revenue	(14,781,021)	(33,702)	(14,814,723)			
Rental expenses	109,664	(109,664)	-			
Amortisation of right-of-use assets	-	106,133	106,133			
Operating profit	**(1,040,604)**	**(37,233)**	**(1,077,837)**			
Interest on leases	-	5,147	5,147			
Profit before tax	**(1,149,823)**	**(32,086)**	**(1,117,737)**			
Profit for the year	**(689,738)**	**(32,086)**	**(721,824)**			

5. Financial risk management

5.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk and cash flow and fair value interest rate risk). The management of the Group's financial risk is based on a financial policy approved by the directors and exposes the Group to a low level of risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not make use of derivative financial instruments to hedge risk exposures during the current and preceding period.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. It mainly arises on trade and other receivables and on cash and cash equivalents. The Group exposure to credit risk at the end of the reporting period is analysed as follows:

	Group		**Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and in hand (Note 14)	**4,299,282**	2,978,368	**382,178**	284,617
Trade receivables (Note 13)	**2,013,641**	3,318,281	**-**	-
Amounts due from related parties (Note 13)	**5,000**	5,239	**5,000**	5,000
Contract assets* (Note 13)	**534,517**	590,737	**-**	-
Other receivables (Note 13)	**28,807**	16,410	**-**	-
Maximum exposure to credit risk	**6,881,247**	6,909,035	**387,178**	289,617

**While a contract asset is not considered as a financial asset under IFRS 9, the impairment rules in IFRS 9 also apply to the Company's contract assets. The impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9.*

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables with respect to renewable software licence and maintenance,
- contract assets relating to services for fixed fee arrangements and T&M arrangements, and
- amounts due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(1) Trade receivables and contract assets

The Group applies the simplified approach set out in IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

5. Financial risk management – continued

5.1 Financial risk factors – continued

(a) Credit risk - continued

(1) Trade receivables and contract assets - continued

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximate of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowances as at 31 December 2020 and 31 December 2019 was determined as follows for both trade receivables and contract assets:

		Past due				
	Current	Not more than 30 days	More than 30 days	More than 90 days	High-risk territories	Total
31 December 2020						
Expected loss rate	0.5%	2%	3% - 4%	6%	5%/6%	
Gross carrying amount – trade receivables	1,587,552	107,740	55,712	192,672	98,965	2,042,641
Gross carrying amount – contract assets	534,516	-	-	-	-	534,516
Loss allowances	**7,648**	**2,155**	**1,698**	**11,560**	**5,939**	**29,000**
31 December 2019						
Expected loss rate	0.5%	2%	3% - 4%	6%	5%/8%	
Gross carrying amount – trade receivables	2,762,892	153,442	328,843	46,124	64,800	3,356,101
Gross carrying amount – contract assets	590,737	-	-	-	-	590,737
Loss allowances	**13,913**	**3,069**	**12,516**	**3,139**	**5,183**	**37,820**

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

5. **Financial risk management** – continued

5.1 Financial risk factors – continued

(a) Credit risk - continued

(2) Receivables from related entities and other receivables

The amounts due from related parties expire within a few months and are considered to be insignificant for the purpose of the ECL model.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Liquidity risk is monitored to meet the Group's obligations.

The approach to managing liquidity is to ensure, as far as possible, that the Group 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. This risk management process includes the regular forecasting of cash flows by the Group's management.

The main financial liability of the Group represents trade payables and amounts owed to other related parties as disclosed in Note 18 to the financial statements.

(c) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, which are denominated in a currency that is not the Group's functional currency.

The directors believe that the Group's currency risk is not significant in relation to the Group's transactions.

(ii) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on fair values of financial assets and liabilities and future cash flows.

The directors do not consider the Group's exposure to risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows to be substantial in view of the nature of the assets and liabilities.

The Group is neither exposed to any major interest-related risks, which could have an impact on the value to be attributed to financial assets and liabilities, nor to any interest related cash-flow risks due to the fact that all liabilities are interest free or carry a fixed rate of interest.

5. Financial risk management – continued

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through the optimisation of debt and equity balances. Strategies are expected to remain unchanged in the foreseeable future. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities, the capital level as at the end of the reporting period is deemed adequate by the directors.

5.3 Fair values of financial and non-financial instruments

Financial instruments that are measured in the statement of financial position at fair value are analysed by valuation method. The different levels have been defined as follows:

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

The Group's financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Group	**2020**	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€		€
Assets	**Level 1**		**Level 2**		**Level 3**	
Financial assets at fair value through other comprehensive income						
Equity securities (note 10)	**32,320**	39,120	**-**	-	**4,368**	4,368
Total	**32,320**	39,120	**-**	-	**4,368**	4,368
Liabilities						
Financial assets at fair value through profit or loss						
Derivatives (note 17)	**-**	-	**29,713**	4,627	**-**	-
Total	**-**	-	**29,713**	4,627	**-**	-

At 31 December 2020 and 2019 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

6. Property, plant and equipment

Group

	Computer and networking equipment €	Website equipment €	Furniture, fixtures and fittings €	Other equipment €	Electrical installations and improvements €	Motor vehicles €	Tools and testing equipment €	Total €
At 1 January 2019								
Cost	764,338	6,404	413,208	390,902	117,626	34,146	62,885	1,789,509
Accumulated depreciation	(604,746)	(6,404)	(382,298)	(277,814)	(113,197)	(32,701)	(60,281)	(1,477,441)
Net book amount	159,592	-	30,910	113,088	4,429	1,445	2,604	312,068
Year ended 31 December 2019								
Opening net book amount	159,592	-	30,910	113,088	4,429	1,445	2,604	312,068
Additions	54,220	-	1,660	593	-	-	-	56,473
Depreciation charge	(74,526)	-	(8,207)	(26,341)	(1,316)	(1,445)	(333)	(112,168)
Closing net book amount	139,286	-	24,363	87,340	3,113	-	2,271	256,373
At 31 December 2019								
Cost	818,558	6,404	414,868	391,495	117,626	34,146	62,885	1,845,982
Accumulated depreciation	(679,272)	(6,404)	(390,505)	(304,155)	(114,513)	(34,146)	(60,614)	(1,589,609)
Net book amount	139,286	-	24,363	87,340	3,113	-	2,271	256,373

6. Property, plant and equipment – continued

Group

	Computer and networking equipment €	Website equipment €	Furniture, fixtures and fittings €	Other equipment €	Electrical installations and improvements €	Motor vehicles €	Tools and testing equipment €	Total €
Year ended 31 December 2020								
Opening net book amount	139,286	-	24,363	87,340	3,113	-	2,271	256,373
Additions	24,103	-	18,493	2,242	-	-	-	44,838
Depreciation charge	(68,838)	-	(9,196)	(23,004)	(461)	-	-	(101,499)
Closing net book amount	94,551	-	33,660	66,578	2,652	-	2,271	199,712
At 31 December 2020								
Cost	842,661	6,404	433,361	393,737	117,626	34,146	62,885	1,890,820
Accumulated depreciation	(748,110)	(6,404)	(399,701)	(327,159)	(114,974)	(34,146)	(60,614)	(1,691,108)
Net book amount	94,551	-	33,660	66,578	2,652	-	2,271	199,712

7. Intangible assets

Group	Goodwill €	Website development €	Computer software €	Total €
At 1 January 2019				
Cost	5,969,095	12,000	47,282	6,028,377
Accumulated amortisation	-	(12,000)	(46,143)	(58,143)
Net book amount	5,969,095	-	1,139	5,970,234
Year ended 31 December 2019				
Opening net book amount	5,969,095	-	1,139	5,970,234
Amortisation	-	-	(480)	(480)
Closing net book amount	5,969,095	-	659	5,969,754
At 31 December 2019				
Cost	5,969,095	12,000	47,282	6,028,377
Accumulated amortisation	-	(12,000)	(46,623)	(58,623)
Net book amount	5,969,095	-	659	5,969,754
Year ended 31 December 2020				
Opening net book amount	5,969,095	-	659	5,969,754
Amortisation	-	-	(150)	(150)
Closing net book amount	5,969,095	-	509	5,969,604
At 31 December 2020				
Cost	5,969,095	12,000	47,282	6,028,377
Accumulated amortisation	-	(12,000)	(46,773)	(58,773)
Net book amount	5,969,095	-	509	5,969,604

8. Leases

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Group	2020 €	2019 (Restated) €
At 31 December		
Right-of-use assets		
- immovable properties	**1,076,610**	69,305
	1,076,610	69,305
Lease liabilities		
Current	**70,331**	57,840
Non-current	**1,000,122**	-
	1,070,453	57,840

Additions to the right-of-use assets during the year ended 31 December 2020 were €1,115,964 (2019: Nil).

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2020 €	2019 (Restated) €
Depreciation charge of right-of-use assets		
Immovable properties	**108,659**	106,133
Interest expense (included in finance cost)	**18,928**	5,146

The depreciation charge is presented within 'Operational and administrative expenses' in the statement of comprehensive income.

The total cash outflow for leases in 2020 was €122,279 (2019: €109,664).

(c) The Group's leasing activities

The Group leases immovable properties. Lease terms are negotiated on an individual basis. The Group's lease arrangements are typically made for periods of 5 years di fermo, with remaining periods of 5-15 years di rispetto.

The Group's accounting policies for leases are disclosed in Note 2.7 to these financial statements.

9. Investment in subsidiaries

	Company 2020 €	Company 2019 €
Year ended 31 December		
Opening and closing net book amount	**6,036,644**	6,036,644
At 31 December		
Cost	**6,036,644**	6,036,644
Provision for impairment	**-**	-
Closing net book amount	**6,036,644**	6,036,644

The subsidiaries at 31 December 2020 and 2019 are shown below:

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held by the Group 2020 %	Percentage of shares held by the Group 2019 %
Computime Limited	Malta	Ordinary shares	**100**	100
Computime Software Limited	Malta	Ordinary shares	**100**	100
Computime (UK) Limited	United Kingdom	Ordinary shares	**100**	100

The percentage of shares held by the Group is held directly by Computime Holdings Limited, with the exception of Computime (UK) Limited; 100% of Computime (UK) Limited is held by Computime Limited, one of the Group's companies. Computime (UK) Limited is currently a non-trading dormant company.

10. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

Financial assets at fair value through other comprehensive income comprise the following:

	2020	2019 (Restated)
	€	€
Listed securities		
Go Plc	**28,320**	34,080
Malta Properties Plc	**4,000**	5,040
Unlisted securities		
STC International Limited	**4,368**	4,368
	36,688	43,488

During the year the Group recognised a fair value loss of €6,800 (2019: fair value gain of €2,880) in other comprehensive income with respect to these investments. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

11. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using the tax rate that is expected to apply to the period when the assets/liabilities are settled, based on the tax rates expected in the tax jurisdictions concerned. The principal tax rate used is 35% (2019: 35%), which is the effective tax rate for the Company's profits earned in Malta.

The movement in deferred tax balances is analysed as follows:

Group	**Balance at 1 January**	**Recognised in profit or loss**	**Balance at 31 December**
	€	**€**	**€**
31 December 2020			
Deferred tax assets	64,204	(21,655)	42,549

11. Deferred tax - continued

Group

	Balance at 1 January €	Recognised in profit or loss €	Balance at 31 December €
31 December 2019			
Deferred tax assets	67,816	(272)	67,544
Deferred tax liabilities	(2,504)	(836)	(3,340)

12. Inventory

Group

	2020 €	2019 €
Spares held for maintenance contracts	**34,658**	45,470
Finished goods and goods for resale	**162,361**	110,799
	197,019	156,269

13. Trade and other receivables

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Current				
Trade receivables	**2,013,641**	3,318,281	-	-
Amounts due from other related parties	**5,000**	5,239	**5,000**	5,000
Other receivables	**28,807**	16,410	-	-
Contract assets	**534,517**	590,737	-	-
Other assets	**332,974**	322,511	-	-
Prepayments	**63,319**	94,035	-	-
	2,978,258	4,347,213	**5,000**	5,000

Amounts due from related parties are unsecured, interest-free and repayable on demand.

Further detail on the Group's exposure to credit risk with respect to its trade and other receivables are disclosed in Note 5.1(a).

14. Cash and cash equivalents

For the purposes of the statements of financial position and cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and other intermediaries	**4,299,282**	2,978,368	**382,178**	284,617

15. Share capital

At 31 December 2020, the authorised share capital of the Company comprised 26,500 ordinary shares (2019: 26,500) of €1 each and 6,000 preference shares (2019: 6,000) of €1,000 each.

	2020	2019
	€	€
Issued and fully paid		
26,500 Ordinary shares of €1 each	**26,500**	26,500
6,000 Preference shares of €1,000 each	**6,000,000**	6,000,000
	6,026,500	6,026,500

16. Other reserves

Group	**FVOCI Revaluation Reserve**	**General reserve**	**Total reserves**
	€	**€**	**€**
At 1 January 2019	16,818	69,881	86,699
Movement in value of equity instruments measured at fair value through other comprehensive income	2,880	-	2,880
At 31 December 2019	19,698	69,881	89,579
At 1 January 2020	19,698	69,881	89,579
Movement in value of equity instruments measured at fair value through other comprehensive income	(6,800)	-	(6,800)
At 31 December 2020	**12,898**	**69,881**	**82,779**

17. Derivative financial instruments

The Group's derivative instruments comprise of foreign currency forward contracts classified as held for trading. The fair value of the derivative financial instruments at the reporting date are as follows:

	2020	2019 (Restated)
	€	€
Financial liabilities at fair value through profit or loss:		
Derivative instruments held for trading	**29,713**	4,627

During the year, the Group recognised an amount of €25,086 (2019: €4,627) as fair value loss on derivative financial instruments in the statement of comprehensive income.

18. Trade and other payables

	Group		Company	
	2020	2019 (Restated)	**2020**	2019
	€	€	€	€
Current				
Trade payables	**751,721**	798,125	-	-
Amounts owed to other related parties	**121**	121	-	-
Amounts owed to subsidiaries	-	-	**15,944**	14,744
Other payables	**11,919**	12,380	-	-
Contract liabilities	**3,060,887**	2,381,495	-	-
Accruals	**987,046**	918,114	**2,933**	2,235
Indirect taxes and social security	**595,896**	639,062	-	-
	5,407,590	4,749,297	**18,877**	16,979

Amounts due to related parties are unsecured and interest free.

19. Revenue

The Group's revenue is analysed as follows:

Group	**2020**	2019 (Restated)
	€	€
Renewal software subscriptions and maintenance	**8,528,318**	7,961,835
Professional services	**2,379,827**	2,449,746
Sale of hardware and software (perpetual)	**2,954,351**	4,403,142
	13,862,496	14,814,723

The Group's revenue is further analysed as follows:

Group	**2020**	2019 (Restated)
	€	€
By timing of transfer of goods or services		
Over time	**5,001,017**	4,686,612
At a point in time	**8,861,479**	10,128,111
	13,862,496	14,814,723

The Group's policies with respect to revenue recognition is disclosed in Note 2.18 to these consolidated financial statements.

Contract assets and contract liabilities related to contract with customers are disclosed in Note 13 and Note 18 respectively.

The Group also recognised an asset in relation to costs to fulfil long-term contract. This is presented under other assets within trade and other receivables (Note 13). The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

20. Expenses by nature

	Group		Company	
	2020	2019 (Restated)	**2020**	2019
	€	€	**€**	€
Purchases and other direct costs	**7,248,331**	8,485,735	**-**	-
Professional fees	**82,980**	109,466	**3,109**	2,563
Employee benefit expenses (note 21)	**4,211,121**	4,074,747	**-**	-
Directors' emoluments (note 25)	**302,515**	260,472		
Depreciation of property, plant and equipment (note 6)	**101,499**	112,168	**-**	-
Amortisation of intangible assets (note 7)	**150**	480	**-**	-
Amortisation of right-of-use assets (note 8)	**108,659**	106,133	**-**	-
Establishment costs	**81,606**	97,918	**-**	-
Marketing and business development	**156,114**	156,626	**-**	-
Insurance costs	**55,878**	53,414	**-**	-
Impairment of receivables and bad debts	**(5,008)**	44,424	**-**	-
Other administrative expenses	**222,534**	230,676	**1,200**	1,200
	12,566,379	13,732,259	**4,309**	3,763

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Annual statutory audit	**22,950**	7,761	**2,950**	761
Non-audit services	**-**	3,866	**-**	-
	22,950	11,627	**2,950**	761

21. Employee benefit expense

Group	**2020**	2019
	€	€
Wages and salaries	**4,410,938**	4,150,374
Other staff costs	**102,698**	184,845
	4,513,636	4,335,219

21. Employee benefit expense – continued

The average number of persons employed during the year:

Group	2020	2019
Management, administrative and operating	98	101

22. Other income

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Dividend income	5,968	21,171	2,428,488	1,000,000
Rental income	21,120	19,200	-	-
Others	-	-	-	-
	27,088	42,371	2,428,488	1,000,000

23. Net finance cost

	Group 2020 €	Group 2019 (Restated) €	Company 2020 €	Company 2019 €
Bank charges	(10,563)	(13,925)	(28)	(41)
Differences on exchange	(35,137)	20,056	-	-
Lease interest expense	(18,928)	(5,146)	-	-
Bank interest expense	(1,559)	(3,512)	-	-
Interest receivable	64	56	-	-
	(66,123)	(2,471)	(28)	(41)

24. Tax expense

The tax credit for the year comprises the following:

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Current tax expense	480,739	394,805	838,488	350,000
Deferred tax expense	21,655	1,108	-	-
	502,394	395,913	838,488	350,000

24. Tax expense – continued

The tax on the Group's results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2020	2019 (Restated)	2020	2019
	€	€	€	€
Profit before tax	1,231,996	1,117,737	2,424,151	996,196
Tax on profit at 35%	431,199	391,208	848,453	348,668
Tax effect of:				
Expenses not deductible for tax purposes	87,444	57,153	1,518	1,332
Income subject to different tax rates	(11,890)	(6,720)	-	-
Dividends taxed at source with a final tax	-	-	(11,483)	-
Capital allowances absorbed	(33,547)	(40,385)	-	-
Over provision of tax	-	(9,339)	-	-
Unrecognised deferred tax in prior year	20,598	-	-	-
Other differences	7,533	2,888	-	-
Deferred tax movement on temporary differences	1,057	1,108	-	-
Tax expense	502,394	395,913	838,488	350,000

25. Related party transactions

Computime Holdings Limited forms part of the Computime Group, which comprises Computime Holdings Limited and its subsidiaries. The Company is owned by the following shareholders (all companies registered in Malta):

Zaatar Limited (C 74207) – 35%
Emendel Holdings Limited (C 74598) – 25%
JIK Limited (C 74215) – 20%
ABV Limited (C 74210) – 20%

All companies forming part of the Computime Group are related parties. Transactions between these companies would typically include management fees and other such items which are normally encountered in a group context.

The following significant operating transactions, which were carried out principally with related parties forming part of the Computime Group, have a material effect on the operating results and financial position of the Company:

	Company	
	2020	2019
	€	€
Dividend income from subsidiaries (Gross)	2,428,488	1,000,000

Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in notes 13 and 18 to these consolidated financial statements.

25. Related party transactions – continued

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 20.

During the year, the Company declared and paid dividends amounting to €1,490,000 to its shareholders.

26. Cash generated from operations

Reconciliation of profit for the year to Cash generated from operations:

	Group		Company	
	2020	2019 (Restated)	**2020**	2019
	€	€	**€**	€
Operating profit/(loss) for the year	**1,271,031**	1,077,837	**(4,309)**	(3,763)
Adjustments for:				
Amortisation of intangible assets (Note 7)	**150**	480	-	-
Depreciation of property, plant and equipment (Note 6)	**101,499**	112,168	-	-
Amortisation of right-of-use assets (Note 8)	**108,659**	106,133		
Movement in provisions for impairment of receivables	**(5,008)**	44,424	-	-
Fair value losses on derivative financial instruments	**25,086**	4,627	-	-
Changes in working capital:				
Trade and other receivables	**1,373,963**	2,513,203	-	-
Trade and other payables	**658,293**	(3,106,504)	**1,898**	660
Inventories	**(40,750)**	56,894	-	-
Cash generated from operations	**3,492,923**	809,262	**(2,411)**	(3,103)

27. Comparative information

Certain comparative figures disclosed in the main components of these consolidated financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

28. Events after the reporting period

There have been no events after the reporting date that will require disclosure in the consolidated financial statements.

29. Statutory information

Computime Holdings Limited is a limited liability company and is incorporated in Malta, with its registered address at 170, Pater House, Psaila Street, Birkirkara BKR 9077, Malta. The Company is the Parent company of the Computime group.