Network ›

International Payment Solutions

# **Enabling Commerce** In The World's Most Under Penetrated Payments Market

Network International Holdings Plc
Annual Report and Accounts 2019

**We are Network International,** the leading payment solutions provider in the Middle East and Africa. Our innovative solutions drive revenue and profitability for our customers.

To read our Annual Report online go to **www.network.ae**

# Creating payment solutions for everyone, everywhere

We are enabling and leading the transition from cash to digital payments across the Middle East and Africa, one of the fastest growing payments markets in the world.

**Market opportunity**

## Under penetrated payments markets

**Read more** on **page 10**

**Business model**

## A unique proposition

**Read more** on **page 14**

**Strategy in action**

## Market leading technology platforms

**Read more** on **page 24**

### Strategic Report



### Governance



### Financial Statements

# 2019 Highlights

## Financial

Revenue

**USD 334.9m**

+12.4%

Underlying EBITDA[1]

**USD 172.3m**

+13.3%

Profit from continuing operations

**USD 59.0m**

+26.3%

Underlying EPS[1]

**USD 21.0 cents**

+7.5%

Read **Key Performance Indicators** on **page 40**

1 This is an Alternative Performance Measure ('APM'). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.



## Strategic

### Technology transformation complete

Customers successfully migrated to Network One or Network Lite.

Read **Case Studies Strategy** on **page 24**

### Expanded our customer base

With new Merchant and Issuer Solutions customers.

Read **Chief Executive Officer's Review** on **page 17**

### N-Genius™ rollout progressing

More than 15,000 N-Genius™ terminals have been rolled out and are now in four African markets.


Read **Case Studies Strategy** on **page 25**

### Mastercard partnership initiatives underway

To drive adoption of digital payments across our markets.

Read **Chief Executive Officer's Review** on **page 17**

# Our Industry

The digital consumer payments industry is built around interlinked services that allow businesses to provide digital payment options to consumers, for goods and services provided.

## Who is involved in the payments chain?

**Merchant**
Person or company selling products or services

**Direct Merchant Acquirer**
The institution that maintains the merchant's account, enabling the merchant to accept digital payments and taking on the risk of the transaction

**Acquirer Processor**
Acts on behalf of the Merchant Acquirer, providing the technology and operations to authorise transactions, route them to the appropriate payment scheme and receive settlement information

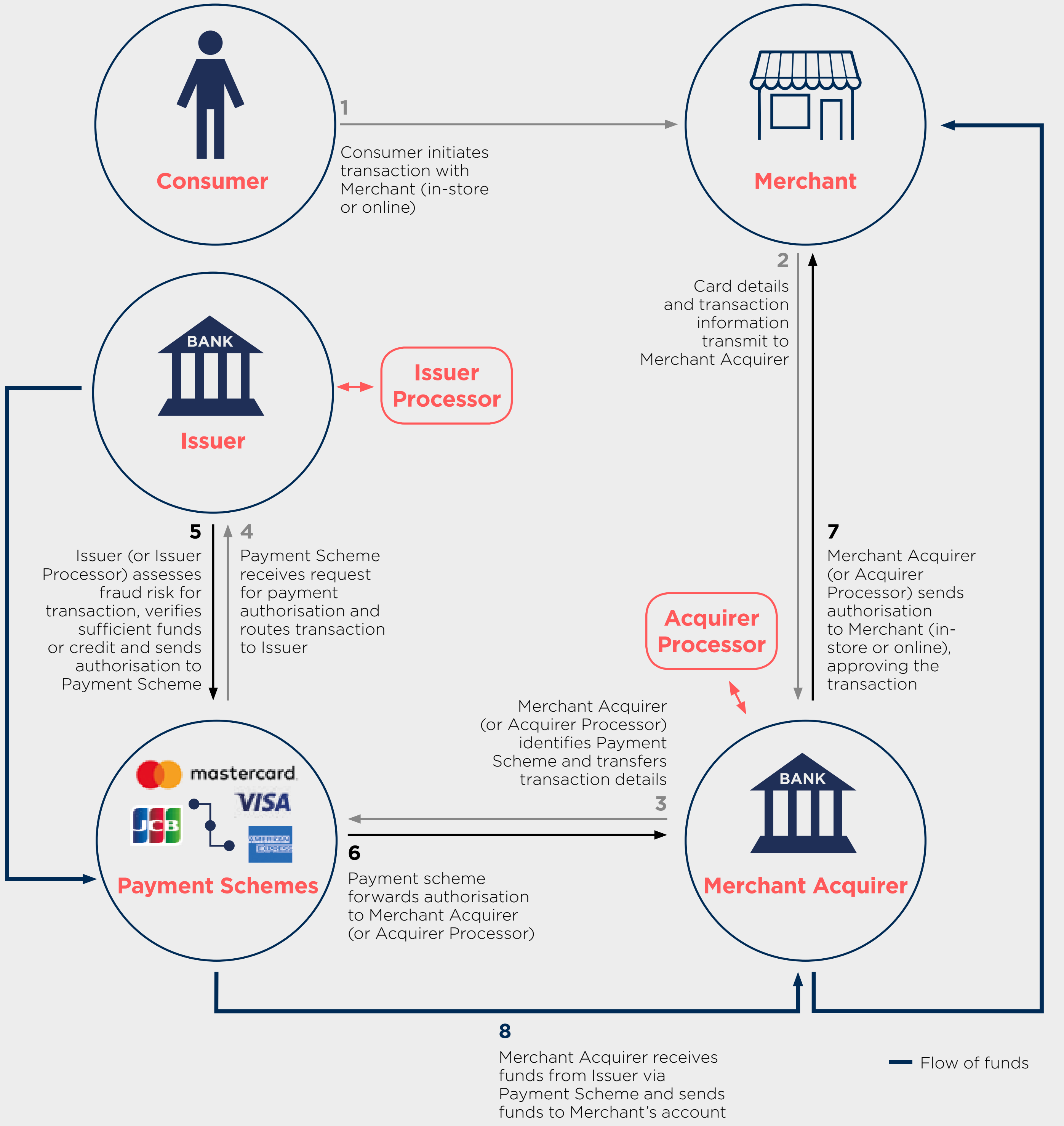
**Payment Scheme**
Includes card payment schemes such as Mastercard, Visa, American Express and Diners Club, alongside other digital payment schemes. The schemes connect the Acquirer to the Issuer, routing transaction information and authorisation and settlement

**Issuer Processor**
Acts on behalf of the Issuer and the payment schemes, authorising transactions and ensuring the transfer of funds from the consumer's bank account to the Issuer

**Issuer**
The institution that provides payment methods or services to the consumer and is responsible for debiting funds from the consumer's account

To understand how Network International participates in the payments chain, please read the **Business Review** from **page 28**

## How does it work?



# Our Business at a Glance

## Who we are and what we do

Our purpose is to enable and lead the transition from cash to digital payments across the Middle East and Africa ('MEA'), one of the fastest growing payments markets in the world, with a strategy focused on providing solutions that allow our customers to bring digital payments to more consumers across the region.

### Merchant Solutions

**Driving digital payment acceptance through**

**Direct acquiring services**
For our merchant customers.

**Acquirer processing services**
For our customers.

**Payment acceptance solutions**
Proprietary omnichannel solutions and products.

**Loyalty solutions**
Merchant loyalty programmes and management.

**Value Added Services**
Including customer data analytics, dynamic currency conversion and payment plans.

>15 Years
average customer tenure

We provide services for
>70,000 merchants

### Issuer Solutions

**Driving digital payment usage through**

**Issuer and processing services**
Hosting and processing credit, debit and prepaid cards for our customers.

**Fraud solutions**
Inbuilt and managed fraud operations.

**Loyalty solutions**
Card loyalty schemes and management.

**Value Added Services**
Including instant card issuance, card control services and customer data analytics.

>13 Years
average customer tenure

We provide services for
>200 financial institutions

Read more about Merchant and Issuer Solutions in the **Business Review** on **pages 29 and 32**

## Where we operate

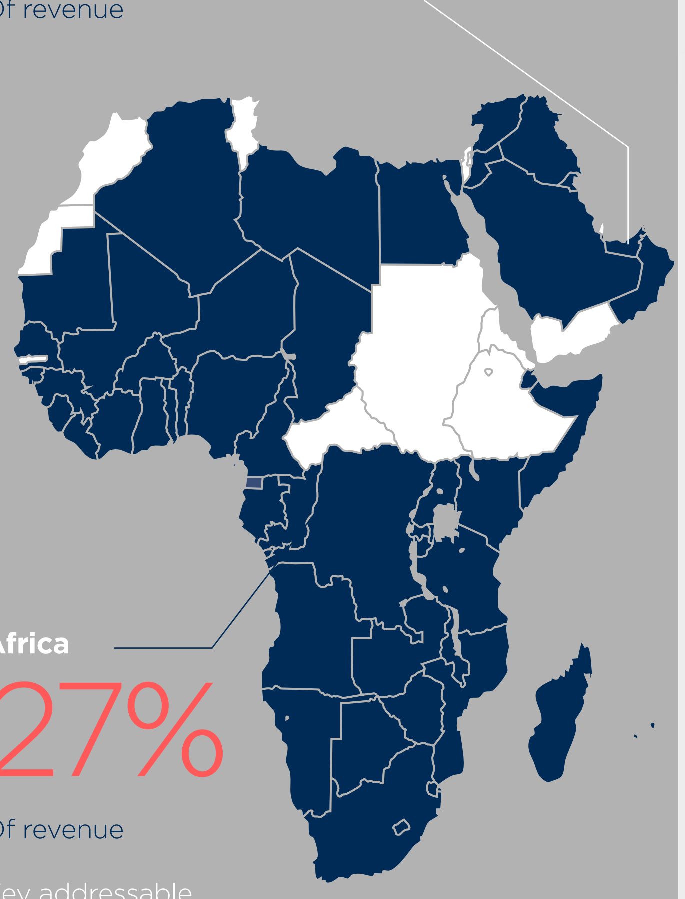
Across the MEA, providing services to customers in more than 50 countries.

**Middle East**

73%

Of revenue

Key addressable markets in the Middle East include the United Arab Emirates ('UAE'), Jordan and Saudi Arabia.




**Africa**

27%

Of revenue

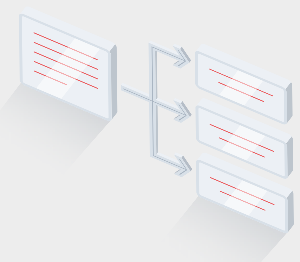
Key addressable markets in Africa include Egypt, Nigeria and South Africa.

## What makes us different

We are the only pan-regional provider of digital payment solutions, with scale and presence across the entire acquiring and issuing payments chain.

Market leading technology platforms in the MEA

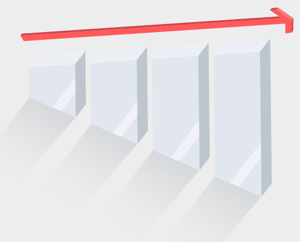
Pan-regional scale in the MEA



Diversified business model with multiple revenue drivers

Long term client relationships

Proprietary omnichannel products



Long track record of profitable financial growth

# Chairman's Statement

"It is with great pleasure that I present our first Annual Report, following our highly successful listing on the London Stock Exchange. We are making strong progress on our strategic priorities, supported by the fast growing payments market across the Middle East and Africa."

**Positive transformation**
It has been a year of positive transformation for our business. Network International has evolved considerably over its 25 year history; from a small privately owned business to one of the biggest technology companies to list on the London Stock Exchange. This was also a year of strategic transformation, as we successfully migrated customers onto our market leading, next generation technology platforms. This represents a significant milestone for the business, which will improve functionality and breadth of products, alongside our service to customers and provides the platform for further growth.

**Fast growing markets**
Our purpose is to support the transition from cash to digital payments across the Middle East and Africa ('MEA'). The MEA remains one of the last remaining underpenetrated and fast growing global markets for consumer digital payments, where 86% of transactions are still cash based. This presents a significant opportunity for Network International, which is the only player of scale operating on a pan-regional basis. Our markets are attractive and we will continue to operate at pace in order to build capabilities for our customers and merchants.

**Proven strategy**
Our strategy remains focused upon providing solutions that allow our customers to bring digital payments to more consumers across the region. We are making strong progress, with encouraging performance across both regions and business lines; growing revenue by 12.4%, underlying EBITDA[1] by 13.3% to USD 172.3 million and profit from continuing operations by 26.3% to USD 59.0 million. This supports our decision to recommend an ordinary dividend payment of USD 3.1 cents per share, in line with our dividend policy.

We remain the partner of choice for new and existing clients across the MEA region. Notable highlights during the year included: the signing of our commercial agreement with Mastercard; and a new client win with Tyme Bank, which has become one of our first customers to utilise the full suite of N-Genius™ payment acceptance products in South Africa. We have also made good progress in supporting financial inclusion and digital transaction conversion in Egypt, by supporting the issuance of the first cards on the Government payment scheme, Meeza.

Meanwhile, our entry to the Saudi Arabian market presents a significant opportunity for future growth. This will require near term investment, in order to generate substantial cashflows and returns over the medium to long term, in a region that has the potential to become our second largest market.

**Effective Board, Corporate Governance and Culture**
The Board has a considerable range of skills and experiences from within and outside our industry. For those Directors who joined the Board following the IPO, we have invested considerable time to develop their knowledge of the business and the markets in which we operate, to help us execute our Board responsibilities effectively. As Chairman, I have encouraged a healthy culture of challenge and support as we develop our strategic plans with the Executive Management Team, as well as leading the process to build our Board capabilities and balance of Independent Directors. I am very pleased to welcome Ali Mazanderani and Anil Dua as new Independent Non-Executive Directors, who have tremendous expertise in our sector and markets. Ali has an extensive background in the global payments industry, whilst Anil's financial services experience has been focused on the African continent. I would like to thank Shayne Nelson, Daniel Zilberman and Aaron Goldman for their contributions to the Board, following the notification of their intentions to resign from the Board at the upcoming Annual General Meeting. This aligns with the reduction in shareholdings of Emirates NBD Bank PJSC and WP/GA Dubai IV B.V. They have been a critical part of Network International's journey from a small privately owned business, to a leading publicly listed payments business operating across the Middle East and Africa. Their expertise, and support of the Executive Management Team, has helped set the business on a path to success.

We have made considerable progress in the development of our Corporate Governance, culture and employee engagement practices and will continue to make further enhancements to support our expanding business needs. As part of this, during the year, we engaged with shareholders to discuss our approach to Board composition and Executive remuneration.

1. This is an Alternative Performance Measure ('APM'). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.



**Strengthened approach to risk management**
A key focus for the Executive Management Team and the Board is the ongoing enhancements we have made to our, already robust, risk management framework across the business. Particularly in regard to identifying our key risks and making further investments to strengthen our defences against cyber threats. We have embarked on a comprehensive training programme for our employees to embed our strong culture of risk management and good governance across the Group.

**Investing in our future growth**
The Board is tremendously appreciative of our hardworking colleagues for their intense focus on customers, particularly through this important period of evolution for the Company. We have launched a new Employee Charter in support of maintaining a positive culture across the organisation, and have allocated shares to the majority of colleagues following the IPO to ensure their interests are aligned with shareholders.

**Outlook**
In order to deliver strong future growth we may need to invest, and if required, we are willing to deploy capital in the year ahead to access opportunities which will provide the platform to generate significant returns over the medium and longer term. This may include selective acquisitions to drive scale. Whilst the coronavirus has had some impact in the early weeks of the new financial year, our core business remains strong. Given the secular trends and our well positioned strategy, we remain positive that Network International is well placed to deliver strong growth for many years to come. I would like to thank all our stakeholders for their support throughout the year, and look forward to their continued engagement and support in the future.

**Ron Kalifa OBE**
Chairman
8 March 2020

## Introducing our Independent Non-Executive Directors

Read **Board of Directors** on **page 74**

**Darren Pope**
**Senior Independent Non-Executive Director**
Committee memberships
- Chair of Audit & Risk Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Appointed to Board March 2019

**Habib Al Mulla**
**Independent Non-Executive Director**
Committee memberships
- Member of Nomination Committee
- Member of Remuneration Committee

Appointed to Board March 2019

**Victoria Hull**
**Independent Non-Executive Director**
Committee memberships
- Chair of Remuneration Committee
- Member of Audit & Risk Committee
- Member of Nomination Committee

Appointed to Board March 2019

**Ali Mazanderani**
**Independent Non-Executive Director**
Committee memberships
- Member of Remuneration Committee

Appointed to Board January 2020

**Anil Dua**
**Independent Non-Executive Director**
Committee memberships
- Member of Audit & Risk Committee

Appointed to Board January 2020

# Market Overview

## Our opportunity:

We operate across the Middle East and Africa ('MEA'), in some of the world's most underpenetrated and fast growing payments markets; with strong secular growth drivers, alongside supportive macro economic and demographic trends. We are uniquely positioned to capitalise on the consumer move from cash to digital payments, as the only player able to serve multiple countries across the region, with end to end solutions across acquiring and issuing.

## Attractive macroeconomic and demographic trends

Strong nominal GDP growth

5% Middle East
(forecast 2019-24)

7% Africa
(forecast 2019-24)

Large and growing MEA population

1.5bn

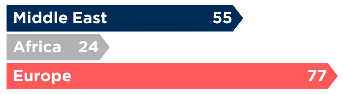
2.3% CAGR
(forecast 2019-24)

58%
of population under age of 25

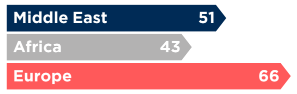
Source: United Nations; Edgar, Dunn & Co. Market Study 2017

## Strong secular growth drivers

Internet penetration (%)




Smartphone penetration (%)

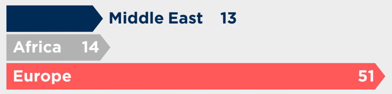



Source: Edgar, Dunn & Co. Market Study 2017

## Cash to digital payments conversion

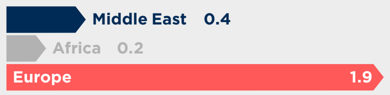
Most underpenetrated digital payments markets

**Digital payments share of transactions (%)**




Fewest number of payment cards

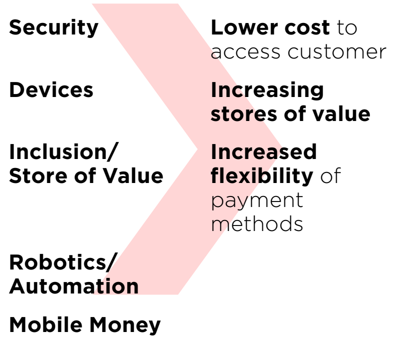
**Payment cards per adult**




Source: Edgar, Dunn & Co. Market Study 2017

## Multiple drivers of digital payments

Fast technology change




Benefits for stakeholders

**Banks**
- Larger asset base
- Customer engagement

**Governments**
- Fiscal benefits
- Financial transparency

**Merchants**
- Increased consumer access through more payment options
- Lower risk

**Consumers**
- Convenience
- Improved security

## Participants expanding the payments market

Outsourcing of payments services
- Regional banks wanting to build or outsource payments processing activities to independant providers such as:

Network
International Payment Solutions

- No longer core to banking business
- Payments providers more agile and innovative

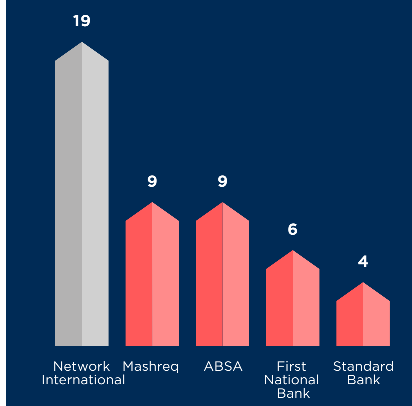
Merchant demand for complex digital payment services
- Fast setup
- Fraud protection
- Analytics and customer loyalty

Consumer needs
- More convenient ways to pay
- Speed and efficiency
- Security and protection

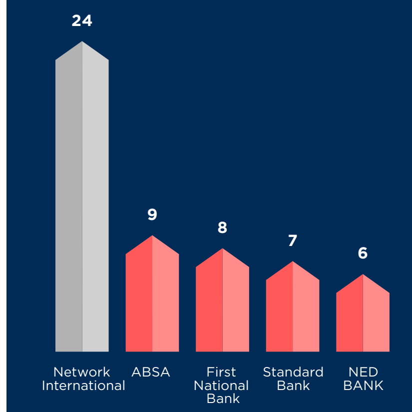
## Our position:

We have the number one market share position in the MEA for both Merchant and Issuer Solutions.

Merchant Solutions market share (%)




Issuer solutions market share (%)




Source: Edgar, Dunn & Co. Market Study 2017

## Our Track Record

# History & Innovation

A long history of innovation and a driving force in the development of digital payments in the MEA region.

Since our formation in 1994 as the in-house payments division of Emirates Bank International (now known Emirates NBD Bank PJSC), Network International has grown from a captive Merchant Acquirer and Processor to the largest payments solutions provider across the MEA region, serving customers in over 50 highly underpenetrated payments markets.

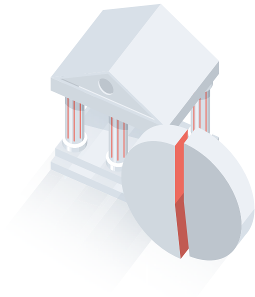
## Awards

**Best Payment Solutions Provider 2019**
Banker Middle East Industry Awards

**Visa International Award for Excellence in Payment System Risk 2018**

**Mohammed Bin Rashid Al Maktoum Business Award 2019**
Innovation Award by the Dubai Chamber of Commerce & Industry

**Dubai Human Development Appreciation Award 2018**
Department of Economic Development's Business Excellence Awards



### 1994
Established in UAE as fully owned subsidiary of Emirates Bank International

### 2003
Third party processing for financial institutions launched

### 2004
Customers signed in Lebanon, Egypt, Oman and Africa

### 2006
First to offer real-time card acceptance payment capability to UAE merchants through GPRS POS terminals

### 2008
Acquired NPC Egypt, a specialist in ATM and POS management

Joint venture with Oberthur launched

### 2011
Formed Transguard Cash (TG Cash), a venture with Transguard, specialising in cash management activities

Abraaj Capital acquires 49% stake in Network International

### 2013
First to launch a mobile point of sale ('mPOS') device in the UAE

### 2014
First acquirer in the region to launch a dedicated e-commerce solution

### 2015
Global investment firms Warburg Pincus and General Atlantic acquire a 49% stake from Abraaj Capital

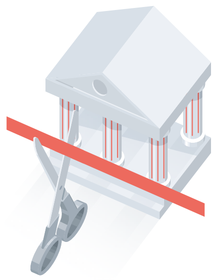
### 2016
Acquired Emerging Markets Payments (EMP), making the combined entity the market leader across the MEA with presence across 50 countries

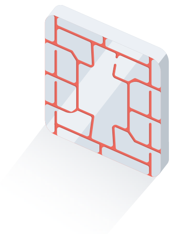
### 2018
Launched N-Genius™ point of interaction product suite

### 2019
Became one of the largest tech companies to list on the London Stock Exchange since 2015 and largest ever tech IPO from a MEA-based firm globally

Completion of migration to Network One and Network Lite platforms

Signed strategic partnership with Mastercard





# Our Business Model

## Unrivalled resources and relationships

**Pan regional presence across the Middle East and Africa**

**Market leading technology platforms**

**Proprietary N-Genius™ omnichannel payment acceptance solutions**

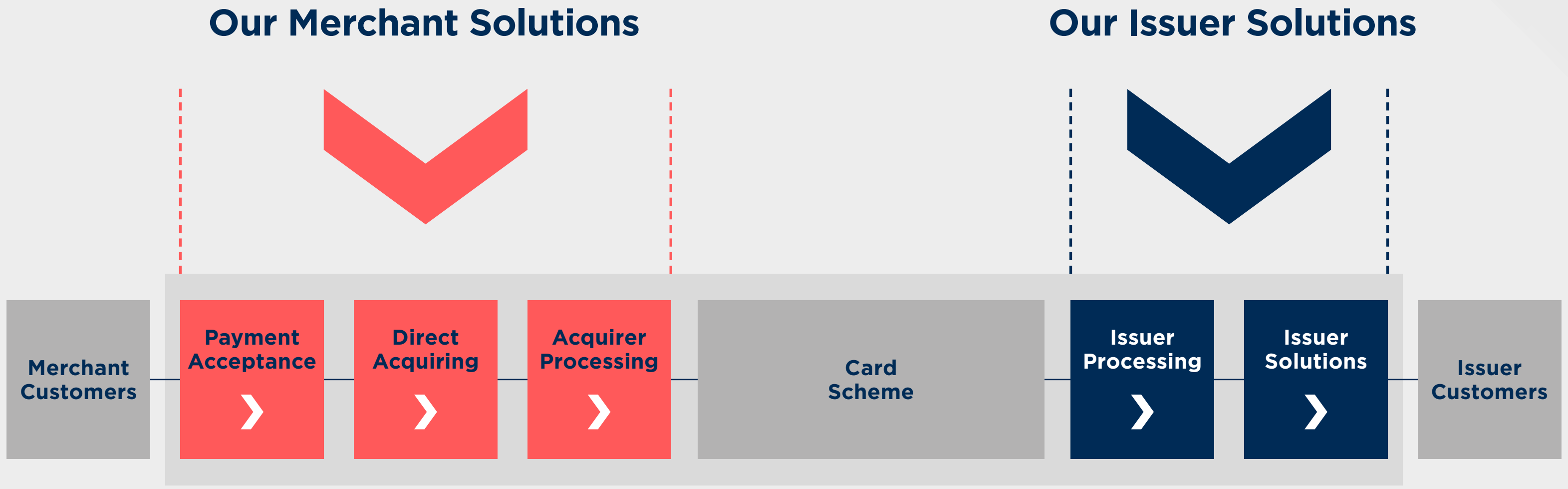
**Longstanding customer tenure**

**Talented, highly skilled employees**

**Experienced management team**

## How we create value

A fully integrated payments model across both acquiring and issuing.




### Providing a suite of products and solutions for customers

e-commerce · mPOS · POS · Credit · Debit · Prepaid · Integrated Solutions · mWallet · ATM · Islamic · Loyalty · Value Added Services (including Fraud & Analytics)

### Powered by partnerships with key global payments platforms

mastercard · VISA · Diners Club International · American Express · PayPal · DISCOVER · UnionPay · Alipay · G Pay · Apple Pay

Read **Business Review** on **page 28**

1. This is a KPI. For definition please refer to page 51.
2. This is an Alternative Performance Measure ('APM'). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

## Who we create value for

**Customers**
Helping to grow their businesses in a secure, cost effective way.

USD 43.8bn
**Total Processed Volume**[1]

**Employees**
Striving to make Network International a great place to work.

**Engagement Score**
65%

**Investors**
Through strategic success and financial growth.

**Underlying EPS**[2]
USD 21.0 cents
**Reported EPS**
USD 11.5 cents

**Governments and communities**
Working to drive financial inclusion and the digital agenda, supporting the communities in which we operate.

14%
**digital payments share of transactions in MEA**

# Chief Executive Officer's Review

"We remain focused on building our customer relationships and supporting them through our services across the entire payments chain. We have many exciting growth opportunities available to us and I look forward to updating shareholders on these as we move through the year."

"We have achieved strong financial performance during the year, delivering on the strategic priorities and guidance we set out at the time of IPO. We have reported 12.4% revenue growth, maintaining our industry leading margins. Growth across all business lines remains healthy, enabled by our unique competitive position in our markets. I am particularly pleased that we have successfully migrated customers to our new technology platforms. I want to thank my colleagues for the delivery of this transformational project.

We remain excited by the growth opportunities available to our business; through market consolidation, substantial outsourcing contracts, or selective acquisitions. Such opportunities typically require investment and time to develop, but will generate significant incremental returns over the longer term. We have already made excellent progress here, through our Mastercard partnership, and progressing our entry to Saudi Arabia. I look forward to updating shareholders on these initiatives as we move through the year."

**Supportive market and a compelling competitive position**
Our purpose is to support the consumer transition from cash to digital payments across the Middle East and Africa ('MEA'), one of the most underpenetrated global markets for digital payments, where around 86% of transactions are still conducted in cash. Many markets in the region are expected to see double digit growth in card and digital transaction values, which presents us with a significant opportunity, as the only player of scale operating across the entire payments value chain. We occupy a market leading position in the MEA with a 19%* share in Merchant Acquiring Solutions and a 24%* share in Issuing Solutions. Our market is also driven by the outsourcing of payments processing by financial institutions, which provides significant sources of future growth for our business.

* Source: Edgar, Dunn & Company Market Study, 2017 data

**Positive strategic execution and growth accelerators underway**
Our strategy is to provide solutions that allow our customers to bring digital payments to more consumers, leveraging our scale and competitive advantages.

- **Pursuing opportunities for acceleration:** We are pleased that our market entry to the Kingdom of Saudi Arabia ('KSA') is progressing. KSA is one of the largest payments markets in the MEA; where digital payments represent around 9% of transactions and the Government 2030 vision seeks to increase this to 70%. The majority of payments processing activities are managed in-house by local banking institutions, presenting a large outsourcing opportunity, where we are the natural partner due to our strong track record in the neighbouring UAE and our presence across the entire payments value chain. We have already set up a legal entity in KSA, opened an office, been included in the SAMA (Saudi Arabian Monetary Authority) sandbox regulatory scheme, and are providing processing services for a small number of customers from Dubai. In order for us to process a wider range of payments types, at scale, we must have in-country data processing and technology capabilities, as required by SAMA. Our confidence in the market opportunity supports our decision to deploy investment and widen our service offering in a phased manner, with an initial focus on prepaid card processing, which will be followed by debit and credit card processing, and acquiring services.

- **Capitalising on digital payments adoption and supporting financial inclusion:** We are developing capabilities to support the structural market growth in digital payments, through building low cost solutions and working with governments and institutions to support financial inclusion. During the year, we have continued our work with Smart Dubai Government to support the acceleration of digital payments in the Emirate. In other regions, we supported the issuance of cards on the Government led Meeza payment scheme in Egypt. We were also awarded a license by the Central Bank of Jordan, in accordance with the country's new electronic payment regulations.

- **Expanding our customer base and focusing on high value segments:** During the year, we renewed a number of important customer processing contracts for multiple year terms, including Emirates NBD and Emirates Islamic in the UAE, Orabank in Togo and RCS Group in South Africa. We have signed a number of new customers in the UAE, including Issuer Processing services for Deem, and Direct Acquiring relationships with a number of key and SME merchants. In Africa, we are working with new issuing solutions customers such as: Sparkle Bank and Unity Bank in Nigeria, MyBank Limited in Somalia; and Vista Group (VistaBankGroup.com) across three countries. We have also signed an acquirer processing agreement with Tyme Bank, which is one of our first customers in South Africa to utilise the full suite of N-Genius™ products. We are delighted with the number of new customer wins and contract renewals during the year. As is usual with our business, whilst there have been a small number of customer exits, these are within expected levels and we continue to remain focused on retaining and growing our profitable relationships. At the same time, we have widened our channels for SME customer acquisition and introduced digital onboarding.

- **Expanding our product range and market penetration:** The N-Genius™ product suite offers seamless payments integration for merchants across in-store, mobile and online channels. Since their introduction in late 2018, N-Genius™ POS devices have proven very popular with merchants in the UAE, with more than 15,000 units now being used. We are progressing well with the more recent launch of N-Genius POS in Africa, with usage across four countries, and have a large rollout opportunity remaining. N-Genius™ Online, our proprietary payment gateway, was launched in the UAE this year and is being used by over 300 customers. It is also being rolled out to African customers where demand is encouraging. Following the launch of security products and services such as Falcon, 3DSecure and Card Control in 2018, we have seen a strong uptake of some of these products from existing customers; including ADCB in the UAE, First Bank of Nigeria Limited and Alex Bank in Egypt. Our data analytics consultancy, N-Advisors, has also made good progress as we begin to monetise the power of consumer spending data for our customers.

- **Leveraging technology and building capabilities:** We successfully transitioned customers to our next generation technology platforms, Network One and Network Lite, during the year. Our platforms are highly scalable and deliver significant benefits to customers; allowing faster innovation, speed of service and ability to execute updates.

- **Developing commercial arrangements with strategic partners:** Our commercial agreement with Mastercard was signed earlier in the year and provides for a USD 35 million cash investment spread over a five year period; which will contribute to either operating costs or capital investment. This investment does not include any incremental revenues we may generate from customers as a result of our joint initiatives or broader strategic partnership; working together to develop digital and mobile payments capability across the region. Our initial projects have been agreed and focus on building: i) digital payments capabilities to serve both Issuer and Merchant Solutions customers, with a focus on the delivery of QR code payment capability, digitisation of a number of existing solutions and low cost payments acceptance; and ii) a corporate card and digital expenses management portfolio of solutions for corporate customers, enabling large businesses to manage their fleets, travel and procurement, and expenses.

During the period we also signed a partnership agreement with CR2, a provider of low cost digital banking solutions. We will act as a host for their banking App, to a number of African financial institutions, managing the day to day support and service requirements.

# Chief Executive Officer's Review
continued

**Creating a Network culture for our people**

We continue to focus on our colleagues, inspiring them to stay and grow with the Company, by creating an engaging 'Great Place to Work'. We have invested in our workforce through introducing a new Talent Management Framework, an Employee Charter which sets out our commitments to colleagues, and broadened the benefits under our Employee Wellness Programme. During the year, we also integrated three facilities in Cairo into a new office that brings several teams closer together. Consequently, we are pleased to report a 13 percentage point improvement in our 2019 engagement survey, to 65%, which is ahead of our sector peers in the region. We have also underpinned alignment and incentivisation through the business following an allocation of shares to the majority of employees following the IPO.

**Outlook and disciplined approach to capital allocation**

The transition from cash to digital payments in our market and strength of our competitive position continue to drive strong underlying revenue growth. The Mastercard commercial agreement will further accelerate this and we are excited about the opportunity in Saudi Arabia, which has the potential over time to generate up to 10% of our total revenues, with margins slightly below those of the Group. In order to widen our payments processing services, we will require on-soil presence with a data centre and technology capabilities. We are deploying investment in a phased manner, with a total capital spend of up to USD 25 million, the majority of which will be invested in 2020. This will enable us to serve larger customer mandates from the end of 2021, unlocking incremental revenue and EBITDA streams. In the short term we expect a slight dilution to EBITDA margins, reflecting the investment to grow our position in newer markets, accelerate our separation of shared services from Emirates NBD, and revenue mix.

Whilst underlying business momentum remains strong, the coronavirus is having an impact on global travel and spending patterns. Although we are diversified through our presence in multiple geographies and across the payments value chain, we have seen some reduction in client transaction volumes in the recent weeks. The full impact remains uncertain and will depend on the length and severity of the effect of the coronavirus on economic activity in our markets, and we will continue to monitor the situation closely.

We operate in fast-growing markets where we have significant competitive advantages, given our pan MEA scale, local expertise, presence across the entire payments value chain and leading technology platforms. We will continue to invest in order to extend those competitive advantages and generate long term incremental revenue and EBITDA, over and above that which will be delivered by our core business. We have a disciplined approach towards capital allocation: to deploy capital to support existing business maintenance and growth; to make organic or acquisitive investments to accelerate growth; and to fund an ordinary dividend with a payout ratio of c15% of underlying earnings. When assessing capital deployment, we apply a disciplined strategic and financial framework; where any significant investment or acquisition must offer the ability to consolidate our market position, access significant outsourcing contracts, or provide new product or technology capabilities. We are making good progress in a number of these areas and I look forward to updating shareholders on these opportunities as we move through the year.

**Simon Haslam**
Chief Executive Officer
8 March 2020

# Our Strategic Framework

Our purpose is to enable and lead the transition from cash to digital payments across the Middle East and Africa.

See how we measure the success of our strategy with our **Key Performance Indicators** on **page 40**

### Capitalise on digital payments adoption and enable financial inclusion

- Support structural market growth in digital payments through leading capabilities
- Increase consumer access to digital payments through building low cost solutions
- Support financial inclusion initiatives by working with governments and NGOs
- Explore and develop our solution to mobile money payments

### Expand customer base and focus on high value segments

- Expand our range of services to existing customers
- Win new processing customers by capitalising on our scale and service advantage
- Win customers in high value segments such as SMEs, hospitality and online payments

### Develop commercial arrangements with strategic partners

- Develop relationships or commercial agreements to support the execution of our strategy; that underpin or enhance our market knowledge, distribution or product capabilities

### Product expansion and market penetration

- Develop best in class products that enhance speed, efficiency and value for customers
- Adapt products to the local market to enable rollout across the region
- Bring value add insights to customers through our data analytics capability

### Leverage technology and build capabilities

- Ensure we have the capabilities and scale to support our growth
- Optimise and invest further in our technology infrastructure
- Enhance responsiveness and efficiency through creating shared service principals
- Digitise customer facing and support functions to optimise efficiency and governance

### Pursue opportunities for acceleration

- Through both accelerated organic and acquisitive options
- Focus on opportunities that will: consolidate or expand our geographic position in the MEA; or provide new product or technology capabilities

**Create a Network Culture for our people –** Read more on **page 62**

**Strong risk management and governance framework –** Read more on **page 52**

# Our Strategic Framework
continued

| Strategic themes | Progress in the year – Read more on **page 24** | Future focus |
|---|---|---|
| **Capitalise on digital payments adoption and enable financial inclusion** | • Continued our work with Smart Dubai Government office<br>• Supported the issuance of the first prepaid cards on the Government led Meeza scheme in Egypt<br>• Awarded a license in Jordan, in accordance with the country's new electronic payment regulations | • Identify opportunities to work with governments and NGOs to support digital payments adoption<br>• Continue to explore ways to work with mobile money solutions and operators<br>• Leverage our role in EXPO2020 |
| **Expand customer base and focus on high value segments** | • Renewed contracts with key customers such as: Emirates NBD, Emirates Islamic, Orabank and RCS Group<br>• Signed new customers including: Deem, Sparkle Bank, Unity Bank, MyBank, Vista Group, Tyme Bank<br>• SME targeting strategy refreshed and new business won | • Target new outsourcing contracts<br>• Focus on high value customer segments and sector<br>• Continued cross-selling of services and products to existing customers |
| **Develop commercial arrangements with strategic partners** | • Strategic and commercial agreement confirmed with Mastercard; first set of initiatives agreed<br>• Signed an agreement with CR2 to host their low cost banking App for African bank customers | • Deliver the strategic and commercial initiatives with Mastercard<br>• Deliver upon existing partnership agreements<br>• Develop more partnerships to support the execution of our strategy and ensure we offer the broadest platform for payment scheme acceptance to customers |
| **Product expansion and market penetration** | • N-Genius™ POS rolled out to more customers across the UAE and initial launch in Africa<br>• N-Genius™ online gateway launched to customers across the UAE<br>• Developed and delivered new fraud solutions for customers such as Falcon and Card Control | • Continue rollout of N-Genius™ product platform to existing and new customers across the MEA<br>• Develop best in class products that enhance speed, efficiency and value for customers<br>• Rollout of digital platform, delivering capability across the entire payments value chain |
| **Leverage technology and build capabilities** | • Technology transformation completed with customers successfully migrated to new platforms<br>• Ongoing enhancement to risk and control functions<br>• Developed automation initiatives to streamline our processes and service | • Ongoing enhancement of our technology platforms<br>• Enable the separation of shared services with Emirates NBD<br>• Develop further data analytics capability; to serve customers, and enhance internal processes |
| **Pursue opportunities for acceleration** | • Market entry to Saudi Arabia underway<br>• Ongoing dialogue with potential processing outsourcing customers | • Through organic expansion such as winning substantial outsourcing contracts, or through selective acquisitions<br>• Focus on assets or areas that will: consolidate or expand our geographic position in the MEA; or provide new product or technology capabilities |

## Risks associated

**We have 11 principal risks that apply to each of our strategic pillars.**

- **Cyber Security:** breach or data disruption
- **Technology Resilience:** risk of interruption to critical procedures
- **Operational Resilience:** ability to execute on processes
- **Strategy and Business:** ability to maintain competitive position
- **People:** recruitment and retention of a skilled workforce
- **Regulatory Compliance:** with the relevant geographical laws and scheme obligations
- **Geopolitical:** political, social and economic stability across the MEA
- **Financial:** exposure to liquidity, currency and interest rate movements
- **Fraud:** related to card, merchant and network data
- **Credit:** risk of merchants' ability to settle funding obligations
- **Third party:** reliance on suppliers and vendors

Read more on **page 52**

## Strategy in Action

# Our technology **transformation**

2019 marked the successful migration of customers onto our next generation technology platforms – Network One and Network Lite. This marks the completion of a core technology transformation that will power new and existing customer relationships for many years to come.

Our platforms provide pan regional, fully integrated payments processing capability across both Merchant and Issuer Solutions. This differentiates our approach from competitors in the region and provides an improved service to customers; through our view of the entire payments transaction and ability to provide data insights. We operate two platforms: Network One is aimed at customers with more complex, customised needs; and Network Lite for customers with more standardised requirements.

What do our platforms bring to our customers and our business:

**Outstanding performance:**
- Improved speed and reliability of payments processing
- End to end data and fraud security services
- Omnichannel approach

**Growth enabling:**
- Scalable; has enabled a 15x increase in our processing capacity
- Cloud first design to enable faster updates
- Can rapidly deploy into new countries

**Future focused:**
- Systems agnostic and can support a broad range of payments
- Automation of processes such as customer on boarding, settlement and reconciliation



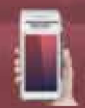
# Reinventing the **point of interaction** for our customers

We have reinvented our payment acceptance capabilities through the launch of our proprietary N-Genius™ product suite. When merchants interact with their customers, the speed, convenience and security of transaction is highly important. Our aim was to improve on all those aspects with the launch of N-Genius™, so that digital payment acceptance becomes more widely available.

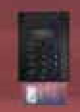
Since their introduction in late 2018, N-Genius™ devices have proven very popular with merchants in the United Arab Emirates, with more than 15,000 units now being used. This includes our customer Emirates, who are rolling out the devices across their fleet. We are progressing well with the recent launch to financial institution customers in Africa, with usage across four countries, but have a large rollout opportunity still remaining. Our most recent launch of the N-Genius™ online gateway is accelerating, with uptake by more than 300 customers in the UAE.

**Benefits of our N-Genius™ product suite:**
- Omnichannel approach provides a single view of consumer data and behaviour
- Proprietary software and cloud based system enable swift and agile product updates
- Can swiftly integrate alternative payments such as GooglePay, ApplePay, Alipay
- Lower cost devices for merchant customers
- Fresh look and feel: modern, lightweight, unobtrusive

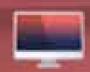
**Our N-Genius™ device suite:**



**N-Genius™ Payment:** our core point-of-sale device; simple and modern design



**On-The-Go:** receive payments anywhere; connects to mobile devices by Bluetooth



**N-Genius™ Online:** e-commerce gateway; one click, no click and recurring payments; designed for online webpage, mobile and in-App

More than

**15,000**

N-Genius™ point-of-sale terminals now rolled out

Strategy in Action
continued

# Empowering cardholders with First Bank of Nigeria Limited®

Network International's Card Control solution provides enhanced flexibility and security to bank card issuers. It puts greater control in the hands of cardholders, empowering them to switch their cards on or off, choose the types of transactions that can be enabled (e.g. online, international, ATM or in-store) or set spending or withdrawal limits.

Used by

>5m

FirstBank® cardholders

This supports our customers, the financial institutions issuing cards, by allowing them to manage fraud more effectively across their card base. In turn, it empowers the bank's customers, the cardholders, to control their spending patterns and reduce instances of card misuse.

All these benefits are evident in our partnership with First Bank of Nigeria Limited®(FirstBank®), which stands out as one of our largest implementations of the Card Control solution in Africa. In 2019, we worked with FirstBank® to extend the reach of Card Control via the bank's mobile application, FirstMobile. There are now over five million FirstBank® cardholders with access to Card Control optionality. This has delivered value to FirstBank® through more effective fraud prevention and greater cardholder flexibility. By limiting high-risk transactions and putting more power in customers' hands, our partnership has saved time and money for both FirstBank® and its customer base across Nigeria.

FirstBank
Since 1894



# Maintaining a leading position in Jordan's payments market

Jordan represents Network International's second largest market. The payments industry in Jordan has undergone meaningful transformation: both in terms of market proposition and players; and the recent introduction of licensing regulations on E-Payments and money transfers, where we have been awarded the requisite licences to operate.

We have a

65%

share of Jordan's Merchant Solutions market[1]

We have developed significant scale in Jordan over time, replicating the success we have seen in the UAE, and are now established as the leading direct acquirer, and third-party processor in the market for acquiring and issuing services. We are also the operator of the Jordanian ATM switch, JONET. We have kept ahead of competitors by launching and leveraging services and products that have seen success in our other markets. For example:

- Developing loyalty scheme solutions
- Introducing Card Control to issuers through web self services
- Enabling payments in instalments
- Facilitating bill payments for customers

By serving such a wide customer base across the payments value chain, we are continuously extending our expertise and increasing our market leadership, providing a powerful model of not only what is possible, but also replicable in other markets.

1. Source: Edgar, Dunn & Co market study 2017.

# Business Review

**Network International is the leading enabler of digital commerce and provider of payment solutions across the Middle East and Africa.**

We serve customers throughout the payments value chain via two core business lines – Merchant Solutions and Issuer Solutions. Our Merchant Solutions business provides comprehensive payments acceptance products and solutions to merchants of all sizes, through direct Merchant Acquiring or Acquirer Processing. Meanwhile, our Issuer Solutions business line provides comprehensive products and payments processing services to financial and non-financial institutions across the issuing value chain.

## Comprehensive End-to-End Offering Across the Payments Value Chain

Merchant Customers | Payment Acceptance › | Direct Acquiring › | Acquirer Processing › | Card Scheme | Issuer Processing › | Issuer Solutions › | Issuer Customers

**Merchant Solutions** | **Issuer Solutions**

- Comprehensive solution
- Multiple revenue drivers across value chain
- Ability to tailor to client needs
- Vertical capabilities
- Enhanced client relationships
- Differentiation and barriers to entry

› Denotes service provided by Network International.

## Merchant Solutions

We provide a broad range of payments solutions to our customers through a full omnichannel service that allows them to accept payments of multiple types, across multiple channels. Our acquiring solutions consist of direct acquiring services in the UAE and Jordan, and white-labelling and acquirer processing services, whereby we process payments for customers' direct acquiring business.

**Merchant Solutions revenue**


1. By Merchant Acquirer volumes in 2017.
2. Edgar, Dunn & Company market study 2017.
3. This is a KPI. For definition please refer to page 51.

**#1**
MEA Merchant Solutions[1,2]

**19%**
Market Share in MEA[2]

**>70,000**
Merchants

**USD 43.8bn**
TPV[3]

**>15**
Years average customer tenure

# Business Review
continued

## Direct acquiring and acquirer processing services

### Direct acquiring

We contract directly with merchants for their acquiring services, under the Network International brand, acting as the acquirer of record and assuming merchant credit risk. We provide payments acceptance solutions that allow merchants to accept consumer payments and we facilitate the transaction by obtaining authorisation from card schemes, ensuring the transaction is cleared and settled into the merchant's bank account. We serve a wide range of merchants, from large multinational retailers through to SMEs.

#### Our point of interaction solutions

Enabling merchants to accept payments from consumers.

- In-store payments: through Point-Of-Sale (POS) terminals, including our proprietary N-Genius™ terminal
- Mobile payments: through smaller mPOS terminals, including our proprietary N-Genius™ mPOS
- Online: through our proprietary e-commerce payments gateway, N-Genius™ Online
- Self-service through kiosks

### White-labelling and acquirer processing

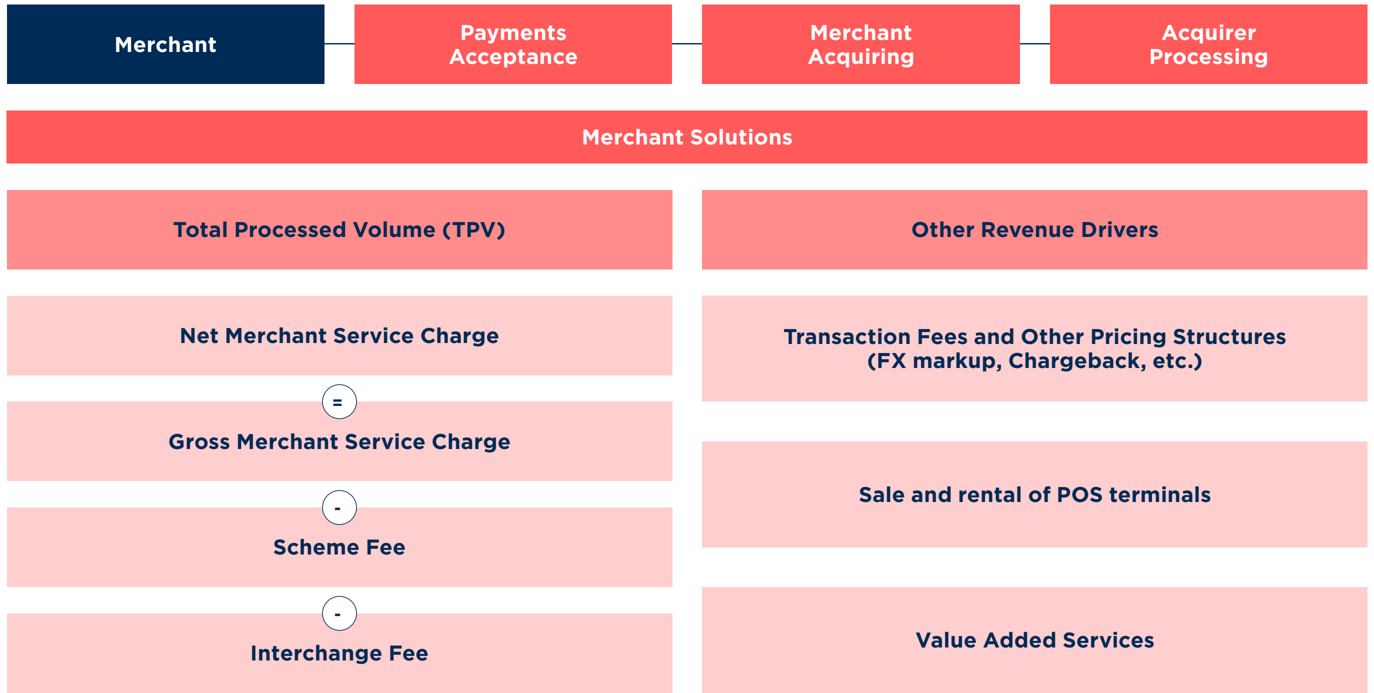
We also provide acquirer processing services to customers across the MEA region, using our technology and processing infrastructure, and point of interaction solutions. The customer acts as the acquirer of record and maintains the merchant customer relationship, whilst we provide the processing function and operations support. This enables our acquirer processing customers to provide market-leading solutions to their underlying merchant customers, with faster speed to market and without the significant investment of running their own fully in-house direct acquiring business.

### Our main Value Added Services

- **Loyalty programmes:** to help Merchant Solutions customers drive repeat sales and increase consumer loyalty.
- **Dynamic Currency Conversion (DCC) and Multi Currency Pricing (MCP):** offers merchants the opportunity to provide consumers the option to pay in their home currency, rather than in the currency of where they are making the purchase, whether that is in-store or online. Network International handles the foreign exchange conversion, whilst paying the merchant in their local currency.
- **Easy Payment Plans:** A digital consumer financial service that allows consumers to convert high value purchases into monthly instalments (Network International does not bear the credit risk as a part of this service).
- **SmartView Interactive Dashboard and Performance Reports:** Provides in-depth analysis of a Merchant Solutions customer's business, including card transactions, sales performance, average transaction size and other key metrics. This allows merchants to better understand consumer purchasing patterns.
- **3DSecure:** 3DSecure is an industry-standard card security solution which helps to reduce the likelihood of online fraud and increases protection for both the Group's Merchant Solutions customers and consumers.
- **Digital Onboarding:** Offers a secure, flexible, and fully automated solution that allows SME customers to be on-boarded digitally in a swifter timeframe.
- **Data analytics:** Customised insights and analysis to help merchants and customers better understand consumer spending patterns and other dynamics.

### We generate revenue from Merchant Solutions customers in a number of ways:

- **Transaction based revenue:** Our revenue is the Net Merchant Service Charge, which is based on a percentage of the value of consumer transactions, referred to as Total Processed Volume (TPV). The Net Merchant Service Charge is the resultant charge, after interchange fees for issuing banks, and scheme fees, are deducted from the Gross Merchant Service Charge. We also charge other fees, for example, for facilitating multicurrency transactions, or chargeback services.
- **Non-transaction based revenue:** includes revenue from Value Added Services, rental from POS terminals and project related revenues.



# Business Review
continued

## Issuer Solutions

Our Issuer Solutions business supports financial institutions with managed services across the entire card issuing value chain, including: customer onboarding, card issuing, core processing, scheme and settlement reconciliation, chargeback services and dispute management. We also offer a set of products and Value Added Services to complement our core processing capabilities, such as fraud solutions and data analytics.

**Issuer Solutions revenue**


**#1**
MEA Issuer Solutions[1,2]

**24%**
Market Share in MEA[2]

**>200**
Financial institutions

**>13**
Years average customer tenure

**752m**
Transactions[3]

**14.2m**
Number of cards hosted[3]

1. By card payments volumes for credit cards in 2017.
2. Edgar, Dunn & Company market study 2017.
3. This is a KPI. For definition please refer to page 51.

**Issuer Processing Solutions**
We provide outsourced processing services for customers, connecting issuers with card schemes to facilitate, authorise and settle transactions for their card holding consumers.

**Card Solutions**
We provide customers with the ability to open card accounts for consumers, and issue and create a range of card products, including credit, debit and prepaid cards. We allow them to manage the entire life cycle of cards issued through our advanced Card Management System (CMS), which has the ability to manage over 200 card types. Through this service, customers do not have to develop their own in-house capability, reducing the total cost of ownership of card processing.

**Value Added Services**
- **Advanced Fraud Solutions and 3D Secure:** a comprehensive, end-to-end fraud management solution for financial institution customers, that is based on real time analytics, defined rules and in-house fraud expertise to defend against card fraud. We have recently added Falcon, a world class, real-time fraud solution to our fraud product suite.
- **ATM solutions:** We operate JONET, the principal ATM switch in Jordan. JONET connects member banks and, when necessary, to payment schemes to support cash withdrawals, balance enquiries and PIN management from ATMs.
- **Data analytics:** Providing financial institutions with insights, smartview dashboards and insights related to spending and transaction patterns of cardholders.
- **Card Control:** A tool that allows cardholders to control the types of transactions they approve on their cards; putting more control in the hands of cardholders, whilst also reducing instances of fraud for card issuers.
- **Instant Issuance:** We can enable instant issuance of debit, credit and prepaid cards as well as activation and PIN set up, either at our customers' branches or other specified locations.
- **Loyalty Programmes:** enabling financial institutions to manage loyalty programmes including cash back rewards, points and miles.
- **Electronic Billing:** An electronic bill payment service that allows financial institutions to offer a comprehensive utility bill payment service to their customers through their website or ATMs.

**We generate revenue from Issuer Solutions customers in a number of ways, including:**

Revenues are generated through the number of cards hosted and billed, the number of transactions processed and billed, and a range of value added services. Our customers can contract for services either on a bundled or unbundled basis.

| Scheme | Issuer Processing | Issuer Servicing | Issuer |
|---|---|---|---|

**Issuer Solutions**

| Number of Cards | Number of Transactions | Other Revenue Drivers |
|---|---|---|
| Fee per Card | Fee per Transaction (Blended or Tiered) | Value Added Services (Fixed Fee or Fee per Card/ Transaction) |

# Business Review
continued

## Business Segments

We manage our business operations on a geographic basis, providing integrated Merchant and Issuer Solutions to customers across the MEA. Our two business segments are the Middle East and Africa.

### Network International in the Middle East

**Middle East Revenue**


**179.6m**
Contribution[1] (USD)

**73.5%**
Contribution margin[1]

**Our competitive advantages**

1
**Highly attractive** Payments Market Growth

2
Undisputed **Scale and Leadership**

3
**Offering End-to-End Payment Solutions**

4
**Integrated Go-to-Market Strategy**

5
Long-term Relationships with **Blue Chip Customer Base**

**Our business activities and market position**

Overseen from our head office in Dubai, we have been present in the Middle East since 1994. Our primary markets are the United Arab Emirates (UAE) and Jordan, with recent entry to Saudi Arabia.

The payments market in the Middle East remains in high growth, with significant headroom for digital payments adoption, where only 13% of transactions are conducted on cards. This is despite the value of transactions on cards having already doubled from 2012 through to 2017.

We provide our full suite of Merchant and Issuer Solutions to customers in the Middle East, including direct acquiring activities in the UAE and Jordan, and operating the principal ATM switch in Jordan, JONET. Our competitive advantage is based upon our breadth of service offering across the entire payments value chain, pan regional approach, local expertise and relationships. A number of our competitors are financial institutions, conducting their own acquiring and issuing activities. Such competitors represent a source of future business, through outsourcing contracts, as only 19% of payments processing activities are currently outsourced in the region.

1. This is an Alternative Performance Measure (APM). See note 5 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. Edgar, Dunn & Company Market Study. 2017 data. Based on total billed volume of acquired credit card POS and ATM transactions.
3. Edgar, Dunn & Company Market Study. 2017 data. By credit card issuing processing based on billed volume on credit card POS and ATM transactions.

**Limited Competition from Independent Players**

| | Scale | Geographic Reach | Product Proposition: Merchant Solutions | Product Proposition: Issuer Solutions | Product Proposition: E-commerce Gateway |
|---|---|---|---|---|---|
| Network International Payment Solutions | ● | ● | ● | ● | ● |
| Regional Players | ◔ | ◑ | ◑ | ◑ | ◔ |
| Global Players | • Limited offering<br>• No meaningful scale<br>• Do not process transactions in the region (i.e. processed via European/other locations) | | | | |

○ Low ◔ ◑ Medium ◕ ● High

**#1**
Market Share in Issuer Solutions 37%[3]

**#1**
Market Share in Merchant Solutions at 30%[2]

**Strategy and operational focus**

Having achieved a leading market position in the region, our strategy is focused on capitalising upon structural market growth and consolidating our position. We aim to grow our direct Merchant Acquiring business, in particular through e-commerce and industry sectors where digital payments are not currently used. We will leverage our new technology platforms to win new acquiring and issuing outsourcing contracts from financial institutions. For these potential customers, we remain the only independent provider of payment solutions across the region, with local industry expertise, language and relationship management. A core part of our growth will come from the provision of products and services to existing customers, such as our N-Genius™ product suite and online gateway.

**Performance during the year**

Throughout the year, we continued to consolidate our presence in the UAE and Jordan. Contract renewals with two of our largest customers – Emirates NBD and Emirates Islamic – and the acquisition of new clients among merchants and financial institutions in the region, allowed us to further strengthen our market position.

# Business Review
continued

## Examples of our merchants and customers

The past year has seen an increased adoption of digital payments in the region – particularly via Apple Pay and AliPay. This has served to drive growth in transactions, contactless payments and e-commerce activity, and contributed to our expanding pool of N-Genius™ product customers. N-Genius™ POS devices have proven very popular with merchants in the UAE, with more than 15,000 units now being used. N-Genius™ Online, our proprietary payment gateway, was launched in the UAE this year and is being used by over 300 customers.

We have placed even more emphasis on the solid base of SME customers, which represents a key area for growth in our UAE acquiring business. We have begun to implement a dedicated sales strategy that targets both existing clients and untapped segments. We are also streamlining our merchant signup process, through digital onboarding. This has led to improved revenues from SME customers.

Having responded to increasing demand for market information and analysis, we have also cultivated a growing revenue stream through our N-Advisors service, providing data and analytics backed by our extensive network and market experience.

**Outlook for our Middle East business**

We expect to see continued strong growth in digital payments across the Middle East market, supported by the ongoing transition from cash to digital payments and government financial inclusion initiatives.

Some countries remain at a particularly early stage of digital payments participation, with huge opportunity for growth. A key example being Saudi Arabia where we have recently established payments processing activities, serviced from Dubai. We intend to invest in the coming year to create on-soil presence with a local data centre and technology capabilities. This will enable us to process a wider range of payments for more customers, and generate incremental revenues over the medium to longer term. We are particularly excited by this opportunity and believe Saudi Arabia has the potential to become our second largest market over time.

In our existing markets, such as the UAE and Jordan, we will focus on further consolidating our position across Merchant and Issuer Solutions by winning new customers and developing new partnerships, with emphasis on increasing our direct acquiring business within the SME segment. We also look forward to Dubai EXPO2020 and our role in supporting digital payment transactions throughout the event. Whilst the Coronavirus has had some impact on the business in the early weeks of the new financial year, our underlying momentum remains strong.

We will also widen our relationships with existing clients, particularly through the ongoing rollout of our N-Genius™ POS and online gateway product suite, and the sale of Value Added Services such as fraud solutions, data analytics and insights.

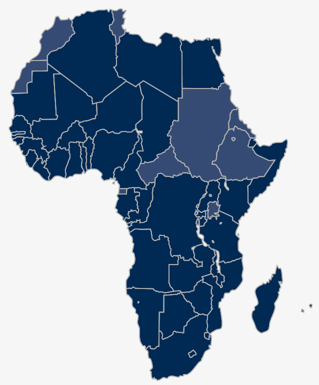
## Network International Africa

**Africa Revenue**


**64.0m**
Contribution[1] (USD)

**70.6%**
Contribution margin[1]

**Operating across >40 Countries**



Customers Serviced by Network International

**Our competitive advantages**

1
Africa is the **World's Most Under-Penetrated Payments Market**

2
**Unique Pan-African Footprint with Differentiated Positioning**

3
Offering **End-to-End Payment Solutions**

4
Competitive Advantage from **Deep Rooted Hub and Spoke Distribution Strategy**

5
**Loyal and Growing Customer Base**

1. This is an Alternative Performance Measure (APM). See note 5 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

# Business Review
continued

**Our business activities and market position**
We provide a comprehensive range of merchant and issuer processing services across Africa, with a particularly strong base on the issuing side of the business, supported by our full range of products and Value Added Services (VAS). We serve our African customers through dedicated operational centres in Egypt, Nigeria and South Africa. Alongside our head office in Dubai, we leverage a hub and spoke model to manage customer relationships across the continent, often retaining retain local relationship managers.

The African market is diverse and complex, comprising multiple regulators, currencies, languages, and local payments schemes across the countries. There are often differences in local infrastructure, and a tendency to rely on cash and informal economies. Having noted these factors, the African payments market is highly attractive and at an early stage of development, with only 14% of transactions conducted on cards. There are a number of positive indicators to support the significant future expansion of digital transactions, including strong GDP growth and a young, unbanked population.

We are already present in over 40 African countries, often with a leading position, but with significant headroom to grow. Our competitive advantage is rooted in our pan regional presence and ability to 'localise' our approach, processing transactions across schemes and payment methods, which are substantial barriers to global competitors. We also compete very effectively against local players, where we bring best practice service and products from our long established history in the payments industry. As with the Middle East, the majority of our competitors are also a source of future business, as only 18% of payments processing activities are currently outsourced by financial institutions. Our broad geographic coverage is a key advantage to such financial institution customers, exemplified by our relationship with Standard Bank where we currently serve them across 12 countries.

## Examples of our customers

**Limited Competition from Independent Players**

| | Scale | Geographic Reach | Product Offering: Acquirer and Issuer Solutions | Product Offering: E-commerce Gateway |
|---|---|---|---|---|
| Network International Payment Solutions | ● | ● | ● | ● |
| Regional and local players | ◔ | ◑ | ◑ | ◔ |
| Global Players | • Limited offering<br>• No meaningful scale<br>• Do not process transactions in the region (i.e. processed via European/other locations) | | | |

○ Low ◔ ◑ Medium ◕ ● High



**Performance during the year**
We saw healthy growth across Africa, reflecting strong growth in the number of cards hosted across the Issuer Solutions business, and high growth in TPV which supports the Merchant Solutions business line.

Our customers in Africa range from small local banks to large pan African financial institutions and major retailers. We renewed a number of important contracts during the year, including OraBank in Togo and RCS Group in South Africa. This was supported by new relationships with Issuer Solutions customers. We have also signed an acquirer processing mandate with Tyme Bank, which is one of our first customers in South Africa to utilise the full suite of N-Genius™ products.

We have also signed agreements with several new debit and prepaid hosting clients, notably in Egypt, where we supported the launch of cards under the new Meeza payment scheme.

We are driving the digitisation of solutions through strategic partnerships, such as the mobile banking app solution we will host on behalf of CR2 with a number of African financial institutions.

Value Added Services continued to do well. Following the launch of security products and services such as 3DSecure and Card Control towards the end of 2018, we have seen a strong uptake from existing customers. We have also begun to take our N-Genius™ POS solutions into a number of African markets during the year, where demand is strong.

**Outlook for our African business**
We expect to see strong structural growth across the African market, supported by the ongoing transition from cash to digital payments. The digitisation of payments is also reinforced by government-led financial inclusion initiatives, which we will seek to support. Our future growth in Africa will be underpinned by this secular market trend, as we grow our business with our existing Merchant and Issuer Solutions customers.

Having achieved a pan African presence, our strategy is focused on consolidating our regional positions; through broadening our relationships with existing customers, and winning new customers, particularly the opportunity of outsourcing contracts with financial institutions.

An important source of growth with existing customers will be the introduction of a broader range of services and products, including: the ability to process a larger range of payment types; fraud solutions; card controls; data analytics and insights; and the rollout of our N-Genius™ product suite, which is still in its early stages with African customers.

The future introduction of even lower cost point-of-sale devices, including QR code technology and mobile payments methods, will become increasingly important in this region and we will seek to be at forefront of these developments, in partnership with Mastercard.

# Key Performance Indicators

We use financial and non-financial metrics to measure the progress of our strategic goals and these KPIs are continually reviewed to ensure we are focused on all aspects of the business.

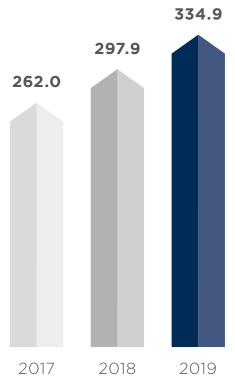
## Link to strategic priorities

- **Capitalise on digital payments adoption and enable financial inclusion**
- **Product expansion and market penetration**
- **Develop commercial arrangements with strategic partners**
- **Expand customer base and focus on high value segments**
- **Leverage technology and build capabilities**
- **Pursue opportunities for acceleration**

## Financial

### Revenue

**USD 334.9m**
+12.4%



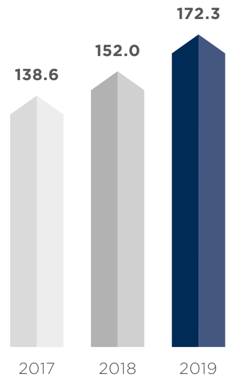

**Definition**
Total revenue generated by the Group.

**Importance**
Growing revenue across the Group indicates underlying market growth and share gains.

**Strategic priorities**

### Underlying EBITDA[1]

**USD 172.3m**
+13.3%



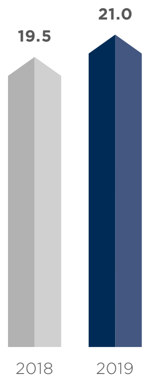

**Definition**
Earnings before interest, taxes, depreciation & amortisation ('D&A'), impairment losses on assets, gain on sale of investment securities, share of depreciation of an associate and Specially Disclosed Items ('SDIs') affecting underlying EBITDA.

**Importance**
By choosing to invest in and grow the business, we enable ongoing profit growth.

**Strategic Priorities**

### Underlying EPS[1]

**USD 21.0 cents**
+7.5%




**Definition**
Profit from continuing operations adjusted for impairment losses on assets, gains on disposal of investment securities and SDIs; which is divided by the number of shares outstanding.

**Importance**
Ensures a focus on the entire income statement, the costs of borrowing and profit available to distribute as a dividend.

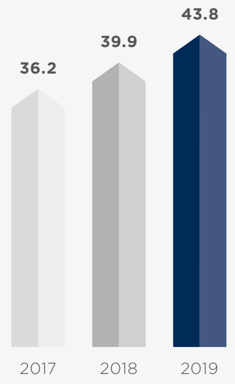
**Strategic Priorities**

1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

## Operational

### Total Processed Volume[2] ('TPV')

**USD 43.8bn**
+9.6%



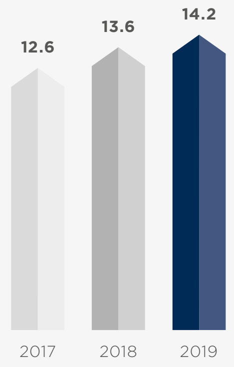

**Definition**
The aggregate monetary value of purchases processed by the Group within its Merchant Solutions business line.

**Importance**
Processed volumes indicates the underlying growth and health of the Merchant Solutions business.

**Strategic Priorities**

### Number of cards hosted[2]

**14.2m**
+4.4%



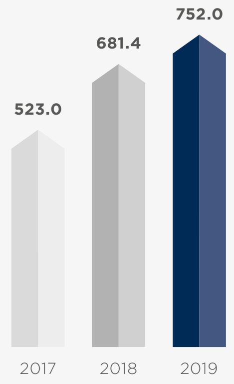

**Definition**
The aggregate number of cards hosted and billed by the Group within its Issuer Solutions business line.

**Importance**
An indicator of the underlying growth and health of the Issuer Solutions business.

**Strategic Priorities**

### Number of transactions[2]

**752.0m**
+10.4%




**Definition**
The aggregate number of transactions processed and billed by the Group within its Issuer Solutions business line.

**Importance**
An indicator of the underlying growth and health of the Issuer Solutions business.

**Strategic Priorities**

2. This is a KPI. For definition please refer to page 51.

# Chief Financial Officer's Review

"We saw strong financial performance in 2019, across all regions and both business lines, delivering results in line with expectations. I am particularly proud of this outcome, which we have achieved alongside implementing a technology transformation and executing on a number of strategic initiatives. Our capital investment during the year has supported strategic execution and technology transformation whilst still delivering healthy cashflows."

**Financial summary**

| | 2019 USD'000 | 2018 USD'000 | Change |
|---|---|---|---|
| **Select Financials** | | | |
| Revenue | **334,906** | 297,935 | 12.4% |
| Underlying EBITDA[1] | **172,314** | 152,039 | 13.3% |
| Underlying EBITDA margin (excl. share of associate)[1] | **48.6%** | 48.9% | (31 bps) |
| Profit from continuing operations | **59,011** | 46,737 | 26.3% |
| Underlying net income[1,4] | **104,764** | 97,441[4] | 7.5% |
| Underlying earnings per share (USD cents)[1] | **21.0** | 19.5 | 7.5% |
| Reported earnings per share (USD cents) | **11.5** | 5.2 | 121.1% |
| Underlying free cash flow (underlying FCF)[1,5] | **103,237** | 109,506[5] | (5.7%) |
| Leverage ratio[2] | **1.6** | 1.8 | 11.1% |
| **Segmental Results** | | | |
| Middle East revenue | **244,360** | 223,822 | 9.2% |
| Africa revenue | **90,546** | 74,113 | 22.2% |
| Middle East contribution[1] | **179,580** | 163,887 | 9.6% |
| Africa contribution[1] | **63,964** | 52,358 | 22.2% |
| Middle East contribution margin[1] | **73.5%** | 73.2% | 30 bps |
| Africa contribution margin[1] | **70.6%** | 70.6% | – |
| **Key Performance Indicators[3]** | | | |
| Total Processed Volume (TPV) (USD m) | **43,779** | 39,932 | 9.6% |
| Total number of cards hosted (m) | **14.2** | 13.6 | 4.4% |
| Total number of transactions (m) | **752.0** | 681.4 | 10.4% |

1. This is an Alternative Performance Measure (APM). See notes 4 and 5 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. Please refer to page 50 for the leverage ratio computation and reconciliation of net debt figures used in the computation and the consolidated financial statements.
3. For KPIs and constant currency definition, please refer to page 51.
4. Historically, the Group classified the amortisation of debt issuance costs related to the loan availed for the acquisition of EMP in 2016 as an SDI. The classification of the amortisation of these specific debt issuance costs has been changed and as a result these costs are now included in underlying results. This reclassification has also been reflected in the prior year to enable like-for-like comparison.
5. Historically, the Group did not include growth related capital expenditure as a deduction within the definition of underlying FCF. In our efforts to provide best practice representation of underlying FCF generation, this classification has now changed and growth related capital expenditure is included as a deduction. This reclassification has also been reflected in the prior year to enable like for like comparison.

**Total revenue**

Total revenue grew by 12.4% (12.4% on a constant currency basis[3]) to USD 334.9 million (2018: USD 297.9 million), mainly due to the growth in Total Processed Volumes (TPV) and the number of cards hosted, as well as the number of transactions processed as further explained below.

**Segment results**

**Middle East**

The Group's largest segment is the Middle East, which includes a number of countries and represents 73% of total revenue. The United Arab Emirates (UAE – representing 60% of total revenue) and Jordan are key markets for the Group, both of which have seen continued momentum in the transition from cash to digital payments, although a slight softening in consumer spends in the UAE was seen in the latter part of the year.

The Group's revenue in the Middle East grew by 9.2% to USD 244.4 million (2018: USD 223.8 million), driven by growth in both the Merchant Solutions and Issuer Solutions business lines.

In direct acquiring, growth in TPV[1] was underpinned by the Government, Education and Retail sectors, including good growth from key merchant customers. We have also focused on the recruitment of SME merchants, through expanding our sales team and acquisition channels. We have also seen a good growth in the acquirer processing business, albeit from a smaller base. Our Issuer Solutions business has seen strong growth, supported by an acceleration in the number of transactions. Revenue growth is further supported by a focus on the cross-sell of Value Added Services ('VAS') such as rollout of our N-Genius™ product suite, Card Control services and Advanced Fraud Solutions.

During the period, we successfully renewed contracts with key processing customers such as Emirates NBD and Emirates Islamic, as well as signing a number of new customers during the year.

Contribution[2] for the Middle East segment grew by 9.6%, to USD 179.6 million (2018: USD 163.9 million), with contribution margin[2] expanding by 30 bps to 73.5%, demonstrating operating leverage in the business.

**Africa**

The Group's Africa segment operates in over 40 countries and contributed 27% of the Group's total revenue in the period.

The Group's revenue in Africa grew by 22.2% to USD 90.5 million (2018: USD 74.1 million), driven by growth in both the Merchant Solutions and Issuer Solutions business lines. Although Issuer Solutions accounts for the majority of the Africa segment revenue, Merchant Solutions has shown very strong growth in the current financial year.

The revenue contribution from each of the Group's three regions in Africa, in 2019, were 47% in Northern Africa, 32% in Sub-Saharan Africa and 21% in Southern Africa. We saw healthy growth in all three regions on the back of strong growth in the number of cards hosted within Issuer Solutions, and significant growth in TPV within Merchant Solutions. We renewed a number of important customer contracts during the year, including OraBank in Togo and RCS Group in South Africa, supported by contracts with new customers. Our performance has also been supported by the signing of new prepaid customers, notably in Egypt, where we are supporting the launch of cards under the new Government-led Meeza scheme. Performance of VAS continued to do well, reflecting the growth of Card Control services and the hosting of CR2 digital banking solutions for financial institutions.

Contribution[2] for the Africa segment grew by 22.2%, to USD 64.0 million (2018: USD 52.4 million), with contribution margin[2] remaining stable at 70.6%.

**Business line results**

We serve customers throughout the payments value chain via two core business lines; Merchant Solutions and Issuer Solutions.

**Merchant Solutions revenue**

Merchant Solutions, which contributes 45.5% of total revenue, comprises a range of technology-led omnichannel payment solutions for merchants, connected to a wide range of global and local payments networks. Our predominant business is the provision of direct Merchant Acquiring services in the UAE and Jordan. We also offer white label and acquirer processing services to customers across all our regions. We offer a range of other VAS, of which the main services include loyalty programmes, dynamic currency conversion, easy payment plans, data analytics and fraud solutions.

Revenue for the Merchant Solutions business increased by 11.9% to USD 152.5 million (2018: USD 136.3 million) driven by growth of 9.6% in Total Processed Volumes ('TPV')[1] to USD 43.8 billion, representing strong performance in our direct acquiring activities in the UAE and Jordan, and high growth in acquirer processing services for customers across both the Middle East and Africa. Within direct acquiring, we saw a strengthening from the Government, Education and Retail sectors. We have also focused on growing our customer base of SME merchants where we have increased our sales acquisition channels. The trend towards contactless card payments continued, which brings a strong benefit to overall volume growth in transactions, but does lead to a dilution in average transaction value. Merchant Solutions performance was also aided by the successful cross-selling of VAS, such as N-Genius™ products, multicurrency payments ('MCP') and N-Advisors.

**Issuer Solutions revenue**

Issuer Solutions, which contributes Issuer Solutions, which contributes 53.0% of total revenue, provides comprehensive products and payments processing services to financial and non-financial institutions, including customer on boarding, card issuing, transaction processing, scheme and settlement reconciliation, chargeback services, and dispute management. We also offer a range of VAS, of which the main services include advanced fraud solutions, ATM solutions, data analytics, card control services and loyalty programmes.

Revenue for Issuer Solutions increased by 13.1% to USD 177.6 million (2018: USD 157.1 million), driven by growth of 4.4% in the number of cards hosted[1], as well as strong growth of 10.4% in the number of transactions processed[1]. This reflects the expansion of our processing activities for existing customers and customer wins during the year. Excluding the impact made by the exit of First Gulf Bank as a customer, the growth in cards hosted[1] was 9.3%. Issuer Solutions performance was further underpinned by increased revenue from the cross-sell of VAS such as our fraud solutions product Falcon, Card Control services, as well as project related work, which is margin dilutive in the short term but helps drive recurring revenue growth in the medium term.

1. For KPIs and constant currency definition, please refer to page 51.
2. This is an Alternative Performance Measure (APM). See note 5 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

# Chief Financial Officer's Review
continued

**Other revenue**
The Group's other revenue, which contributes 1.5% of the total revenue, includes cash advance fees on cash withdrawals from ATMs, and foreign exchange gains/(losses) from its core operations.

**Personnel expenses**
Total personnel expenses increased to USD 95.2 million (2018: USD 88.1 million), representing growth of 8.1%. This includes Specially Disclosed Items ('SDIs') of USD 15.5 million (2018: 12.7 million). See page 46 for further detail on SDIs.

Adjusting for SDIs, underlying personnel expenses[1] were USD 79.6 million (2018: USD 75.4 million), with growth of 5.6%. The number of employees has increased in 2019, reflecting our investment in people to strengthen capabilities in the specific areas such as sales, legal and compliance, and information technology. Growth in personnel expenses is also attributable to annual salary increments across all geographies and the charge for share based compensation under the Long Term Incentive Plan ('LTIP'), introduced post-listing.

**Selling, operating and other expenses**
Total selling, operating and other expenses were USD 107.8 million (2018: USD 85.5 million), representing growth of 26.1%. This increase was primarily driven by an increase in selling, operating and other expenses classified as SDIs, which includes costs primarily related to the IPO. See page 46 for further detail on SDIs.

Adjusted for SDIs, underlying selling, operating and other expenses[1] were USD 92.5 million (2018: USD 76.8 million), with growth of 20.4%. This reflects an increase in technology and communication costs, third-party processing costs and other general expenses. Third-party costs predominantly represent the costs paid to the vendors for various services including card procurement, card personalisation and direct cost associated with project delivery, across both the business lines and are directly associated with revenue growth. The increase in this cost line is also attributable to the cost associated with the sale of POS terminals to acquirer processing customers and cost associated with rollout, as well as support, of new product capabilities.

**Expenses**

| | 2019 USD'000 Reported | Specially disclosed items | Underlying results[1] (A) | 2018 USD'000 Reported | Specially disclosed items | Underlying results[1] (B) | Change (A & B) |
|---|---|---|---|---|---|---|---|
| Salaries and allowances | **62,712** | **(3,652)** | **59,060** | 56,986 | (1,757) | 55,229 | (6.9%) |
| Bonus and sales incentives | **11,254** | **–** | **11,254** | 11,564 | – | 11,564 | 2.7% |
| Share based compensation | **11,398** | **(10,679)** | **719** | 10,907 | (10,907) | – | – |
| Terminal and other benefits | **9,814** | **(1,203)** | **8,611** | 8,627 | – | 8,627 | 0.2% |
| **Total personnel expenses** | **95,178** | **(15,534)** | **79,644** | 88,084 | (12,664) | 75,420 | (5.6%) |
| Technology and communication costs | **41,898** | **–** | **41,898** | 43,426 | (5,157) | 38,269 | (9.5%) |
| Third-party processing services costs | **26,728** | **–** | **26,728** | 18,412 | – | 18,412* | (45.2%) |
| Legal and professional fees | **24,752** | **(15,039)** | **9,713** | 11,263 | (3,681) | 7,582 | (28.1%) |
| Provision for expected credit loss | **510** | **–** | **510** | 809 | (362) | 447 | (14.1%) |
| Other general and administrative expenses | **13,863** | **(243)** | **13,620** | 11,545 | 524 | 12,069* | (12.9%) |
| **Selling, operating and other expenses** | **107,751** | **(15,282)** | **92,469** | 85,455 | (8,676) | 76,779 | (20.4%) |
| **Depreciation and amortisation** | **46,789** | **(14,937)** | **31,852** | 34,572 | (9,703) | 24,869 | (28.1%) |
| **Share of depreciation from an associate** | **4,222** | **–** | **4,222** | 2,978 | – | 2,978 | (41.8%) |
| **Total depreciation and amortisation** | **51,011** | **(14,937)** | **36,074** | 37,550 | (9,703) | 27,847 | (29.5%) |
| **Finance costs** | **24,844** | **–** | **24,844** | 20,159 | – | 20,159 | (23.2%) |
| **Taxes** | **6,632** | **–** | **6,632** | 10,956 | (4,364) | 6,592 | (0.6%) |

1. This is an Alternative Performance Measure (APM). See details on page 46 for further details on SDIs.
* Certain cost line items have been reclassified in 2018, from other general expenses to third-party processing service cost to enable like-for-like comparison.



**Underlying EBITDA[2]**
Underlying EBITDA[2] increased by 13.3% to USD 172.3 million (2018: USD 152.0 million). This reflects strong revenue performance across both regions and business lines, with corresponding growth in personnel costs, and selling, operating and other expenses, as detailed above. Underlying EBITDA[1] also includes the Group's share of EBIDTA of its associate, Transguard Cash ('TG Cash'), which is detailed below.

Underlying EBITDA margin[2] (which excludes the Group's share of its associate, TG Cash) remained broadly stable at 48.6% (2018: 48.9%), where our inherent operating leverage was offset by the incremental costs associated with being a publicly listed company such as; directors fees, Group external audit fees, share-based compensation charge for the Long Term Incentive Plan introduced post-listing, other associated legal and professional expenses (USD 4.4 million), and ongoing investment in the business. Excluding these incremental costs associated with being a publicly listed company, EBITDA margin for the year would have been higher by 130 bps.

The table below presents a reconciliation of the Group's reported profit from continuing operations to underlying EBITDA[2].

**Share of EBITDA of an associate**
The Group's share of EBITDA of its Associate, Transguard Cash LLC, was USD 9.5 million (2018: USD 6.3 million), representing healthy growth of 50.8%. The increase was driven by TG Cash's acquisition of G4S Cash services in the UAE towards the end of 2018, supported by organic growth in the business.

**Depreciation and amortisation**
The Group's reported depreciation and amortisation ('D&A') charge, including share of depreciation from an associate increased by USD 13.5 million to USD 51.0 million (2018: USD 37.6 million), of which USD 14.9 million is associated with SDIs related to the Group's investment in the technology transformation programme, which is now complete, and amortisation of acquired intangibles. See page 46 for further detail on SDIs.

Excluding D&A related to SDIs, the Group's underlying D&A[1] charge grew by 29.5% to USD 36.1 million (2018: USD 27.8 million). This reflects the underlying increase in computer hardware and leased asset related depreciation, and software related amortisation chargeable on additions made during the year, alongside prior year annualisation related to the Group's investment in maintenance and growth capital expenditure. In 2020, we expect an underlying D&A[2] charge of USD 42-44 million.

**Net interest expense**
The Group's reported net interest expense increased by USD 4.6 million to USD 24.8 million (2018: USD 20.2 million). This was driven by an increased utilisation of the working capital facility, amortisation of debt issuance costs (including costs incurred for repricing and amendment of the acquisition financing facility and setting up a revolving credit facility), partially offset by lower margins on the acquisition financing facility, post repricing.

Historically the Group classified the amortisation of debt issuance costs related to the loan availed for the acquisition of EMP in 2016, as an SDI. The classification of the amortisation of these specific debt issuance costs has been changed and as a result, these costs are now included in the underlying results. This reclassification has also been reflected in the prior year to enable a like for like comparison.

**Taxes**
The Group's total tax charge during the period was USD 6.6 million (2018: USD 11.0 million), representing a decline from the prior year, as a one-off expense of USD 4.4 million for legacy tax matters was included in the tax charge for 2018. This expense related to the settlement of legal cases in respect of EMP tax matters for periods prior to the acquisition by Network International. Excluding the impact of the prior year exceptional charge, the underlying effective tax rate[2] remained broadly stable in 2019 at 6.0% (2018: 6.3%).

| | Year ended 31 Dec 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Profit from continuing operations** | **59,011** | 46,737 |
| Depreciation and amortisation | **46,789** | 34,572 |
| Impairment losses on assets | **–** | 17,945 |
| Net interest expense | **24,844** | 20,159 |
| Taxes | **6,632** | 10,956 |
| Gain on disposal of investment securities | **–** | (2,648) |
| Share of depreciation from an associate | **4,222** | 2,978 |
| Specially disclosed items affecting EBITDA | **30,816** | 21,340 |
| **Underlying EBITDA[2]** | **172,314** | 152,039 |

1. This is an Alternative Performance Measure (APM). See details on page 46 for further details on SDIs.
2. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

# Chief Financial Officer's Review
continued

**Profit from continuing operations, underlying net income and underlying earnings per share[1]**
Profit from continuing operations increased by 26.3% to USD 59.0 million (2018: USD 46.7 million), reflecting growth across the business and no impairment charge recorded in the current year. Underlying net income[1] represents the Group's profit from continuing operations adjusted for SDIs. In the prior year only, underlying net income[1] for 2018 was additionally adjusted for impairment losses on assets and gains on disposal of investment securities. See page 46 for further detail on SDIs. Underlying net income[1] in 2019 grew by 7.5% to USD 104.8 million (2018: USD 97.4 million) and underlying Earnings Per Share ('EPS')[1] grew by 7.5% to USD 0.21, reflecting the growth in underlying EBITDA[1], partially offset by the increase in net interest expense and D&A charge.

The table below presents a reconciliation of the profit from continuing operations to underlying net income[1].

**Loss from discontinued operations**
The Group's loss from discontinued operations was USD 2.1 million (2018: USD 23.3 million), representing operating losses during the period for its non-core assets, namely Mercury and the acquiring business in Bahrain. Mercury operates the 'Mercury' payment scheme in the UAE, which is a domestic payment card network that permits members to issue cards on its network and to acquire transactions on the network, along with offering other Value Added Services. The Group has classified Mercury as a discontinued operation in 2018, in line with its intended strategy to exit this non-core business. The process to dispose of Mercury was initiated during 2019 and is expected to be completed during 2020. During the year, the Group also exited its acquiring business in Bahrain. Once the Group has completed the exit process for this non-core asset, this loss will not recur.

**Specially disclosed items ('SDIs')**
Specially Disclosed Items are items of income or expenses that have been recognised in a given period, which management believes, due to their materiality and being one-off/exceptional in nature, should be disclosed separately, to give a more comparable view of the period-to-period underlying financial performance. SDIs affecting EBITDA during the period were USD 30.8 million (2018: USD 21.3 million) and SDIs affecting net income were USD 14.9 million (2018: USD 14.1 million). In 2020, SDIs affecting EBITDA[1] are expected to reduce significantly to cUSD 13 million, largely comprising the share based charge in relation to the incentive plans in place before listing, which will not recur post 2021. In 2020, SDIs impacting net income are expected to be cUSD 18 million.

| | Year ended 31 Dec 2019 USD'000 | Year ended 31 Dec 2018 USD'000 |
|---|---|---|
| **Profit from continuing operations** | **59,011** | 46,737 |
| Impairment losses on assets | **-** | 17,945 |
| Gain on disposal of investment securities | **-** | (2,648) |
| Specially Disclosed Items affecting EBITDA | **30,816** | 21,340 |
| Specially Disclosed Items affecting net income | **14,937** | 14,067 |
| **Underlying net income[1]** | **104,764** | 97,441 |

| Underlying earnings per share[1] | Year ended 31 Dec 2019 | Year ended 31 Dec 2018 |
|---|---|---|
| **Underlying net income[1] (USD'000)** | **104,764** | 97,441 |
| No. of shares ('000) | **500,000** | 500,000 |
| **Underlying earnings per share[1] (USD cents)** | **21.0** | 19.5 |

1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs



The key SDIs affecting EBITDA in the year were:

1. Reorganisation, restructuring and settlements – Includes non-recurring costs that arise from one-off initiatives to reduce the ongoing cost base and improve the efficiency of the business (USD 2.1 million for the year ended 31 December 2019 and USD 1.8 million for the year ended 31 December 2018) and significant one-off settlements with third parties (Nil for the year ended 31 December 2019 and USD 1.6 million for the year ended 31 December 2018).
2. Share-based compensation – Includes charge for the year in relation to the Management Incentive Award Plan, IPO Cash Bonus, and Long Term Incentive Plan, all of which were specific one-off payments relating to the listing.
3. M&A and IPO related costs – These are one-off expenses incurred in relation to the Initial Public Offering, including fees paid to various advisors.
4. Other one-off items – Includes items that do not fit into any other categories above and primarily relates to unrealised loss/(gain) from re-measurement of foreign currency denominated assets or liabilities (USD 1.8 million for the year ended 31 December 2019 and USD (0.5) million for the year ended 31 December 2018). It also includes provisions against unrecoverable balances and settlement accruals (USD 0.9 million for the year ended 31 December 2019 and USD 3.9 million for the year ended 31 December 2018) and netted off by one-off recoveries and dividend from visa shares (USD 0.8 million for the year ended 31 December 2019). The unrealised foreign currency gains and losses arose mainly from the significant volatility in the EGP-USD exchange rates over the last few years, caused by macroeconomic challenges in Egypt including high inflationary pressure and short-term restrictions on foreign currency remittances. The resultant gains and losses do not represent the core performance of operations of the Group and hence have been shown as Specially Disclosed Items to provide a better view of the underlying performance of the business.

The key Specially Disclosed Items affecting net income in the year were:

1. Amortisation related to IT transformation – Includes amortisation of capitalised costs associated with the significant one-off IT Transformation Programme that the Group has undertaken over the last few years. This includes development of a new card management platform (including costs related to migration from legacy platforms), the Group's own proprietary payment gateway, and a significant one-off upgrade to the switching system. The spend on the IT transformation programme is truly one-off in nature and is not expected to be incurred again for a considerable period of time. The total capex incurred to date on this programme is significantly higher than spends on any other programme undertaken in the past, or in the foreseeable future. The amortisation of incremental capital expenditure that will be incurred on the ongoing maintenance of the platform including hardware upgrades and enhancement of functional capabilities, will be treated as part of the core operations of the business and not included within Specially Disclosed Items.
2. Amortisation of acquired intangibles – Amortisation charge on the intangible assets recognised in the Group's consolidated statement of financial position as part of the Group's acquisition of Emerging Market Payments Services ('EMP') in 2016.

Historically, the Group classified the amortisation of debt issuance costs related to the loan availed for the acquisition of EMP in 2016 as an SDI. The classification of the amortisation of these specific debt issuance costs has been changed and as a result these costs are now included in the underlying results. This reclassification has also been reflected in the prior year to enable a like-for-like comparison.

| | Year ended 31 Dec 2019 USD'000 | Year ended 31 Dec 2018 USD'000 | Change % |
|---|---|---|---|
| **Items affecting EBITDA** | | | |
| Reorganisation, restructuring and settlements | **2,132** | 3,375 | 36.8% |
| Share-based compensation | **10,679** | 10,907 | 2.1% |
| M&A and IPO related costs | **16,111** | 3,681 | (337.7%) |
| Other one-off items | **1,894** | 3,377 | 43.9% |
| **Total SDIs affecting EBITDA** | **30,816** | 21,340 | (44.4%) |
| **Items affecting net income** | | | |
| Amortisation related to IT transformation | **10,735** | 5,499 | (95.2%) |
| Amortisation of acquired intangibles | **4,202** | 4,204 | 0.0% |
| Tax expense for legacy matters | **-** | 4,364 | 100.0% |
| **Total SDIs affecting net income** | **14,937** | 14,067 | (6.2%) |
| **Total specially disclosed items** | **45,753** | 35,407 | (29.2%) |

# Chief Financial Officer's Review
continued

| | Year ended 31 Dec 2019 USD'000 | 2018 USD'000 | Change |
|---|---|---|---|
| **Net cash flows from operating activities before settlement related balances** | **88,365** | 104,843 | (15.7%) |
| Changes in settlement related balances | **42,828** | 12,685 | 237.6% |
| **Net cash flow from operating activities** | **131,193** | 117,528 | 11.6% |
| **Net cash outflow from investing activities** | **(75,494)** | (45,223) | (66.9%) |
| **Net cash outflow from financing activities** | **(30,036)** | (92,764) | 67.6% |

**Cash flow**
The Group's net cash flow from operating activities before settlement related balances was USD 88.4 million. Settlement related balances are discussed below in the working capital section. The Group's net cash flow from operating activities were USD 131.2 million (2018: USD 117.5 million) primarily reflecting the growth in profit from operations. The Group's net cash outflows from investing activities were USD (75.5) million (2018: USD (45.2) million), which is mainly related to expenditure on property, plant and equipment and spend for the IT transformation programme, as well as expenditure related to Group's growth initiatives and business maintenance. The Group's net cash outflows from financing activities were USD (30.0) million (2018: (92.8) million), which primarily reflects scheduled part repayment of the acquisition financing facility (USD 45.0 million), and the purchase of the shares under the share based Long Term Incentive Plan ('LTIP') rolled out to Group employees during the year post-listing (USD 12.8 million), partially offset by the drawdown under the revolving credit facility set up in 2019 for general corporate funding purposes (USD 35.0 million).

**Working capital**
The Group's working capital requirements are broadly classified into the following two categories:

**Settlement related balances**
Settlement related balances at the end of the year were USD 69.7 million (2018: USD 112.5 million). These represent the capital used to fund card scheme debtors, offset by merchant payables. The balance arises, mainly due to the time lag between the payments made to merchants (mostly made the day following a transaction), and the recoveries from the issuing banks and payment schemes (mostly made two or three days after the transaction). The requirement for the Group's settlement related balances is based on the total amount of the card transactions, less merchant discount, and can also be impacted by weekends or by public holidays in the United States (the region from where card scheme debtors are settled).

**Working capital before settlement related balances**
This represents the amount of capital used by the Group to fund its day-to-day trading operations, excluding settlement related balances. It includes the funding required for trade receivables, prepayments and other advances, offset by trade and other payables. The working capital before settlement related balances during 2019 was USD 24.9 million (2018: USD 11.6 million), representing 7.4% of Group revenue (referenced in the table below, relating to the reconciliation of underlying free cash flow). During the year, the Group made significant efforts to expedite collections, resulting in trade receivables increasing by 8.6% only. At the same time, the Group also increased the credit period for some of its vendors. Both these initiatives have resulted in restricting the y-o-y increase in working capital before settlement related balances to 4.0% of total revenue.

**Capital expenditure**
Total capital expenditure was USD 84.0 million (2018: USD 66.1 million). This comprised of:
i. Core capital expenditure of USD 45.4 million (2018: USD 34.5 million). This includes growth capital expenditure of USD 19.9 million (2018: USD 16.5 million), related to the procurement of POS terminals for new direct acquiring merchants, spends related to on-boarding of new Merchants and Issuer Solutions customers, and on building new product capabilities. Core capital expenditure also includes maintenance capital expenditure of USD 25.4 million (2018: USD 18.0 million) related to spend on maintaining and enhancing technology infrastructure; procurement of POS terminals for existing relationships, and building a new central facility in Cairo, to help drive productivity gains.
ii. IT transformation capital expenditure of USD 38.6 million (2018: USD 31.6 million). This includes costs to migrate customers to the new Network One and Network Lite platforms; upgrades to the switching system; and development of the Group's new proprietary state-of-the-art e-commerce payments gateway, N-Genius™ online. The technology transformation programme and all the customer migrations to the new platforms have now been completed.

| | Year ended 31 Dec 2019 USD'000 | 2018 USD'000 | Change |
|---|---|---|---|
| **Total capital expenditure[1]** | **83,971** | 66,102 | (27.0%) |
| **Core capital expenditure:** | **45,368** | 34,538 | |
| of which is growth capital expenditure | **19,937** | 16,500 | (20.8%) |
| of which is maintenance capital expenditure | **25,431** | 18,038 | (41.0%) |
| **IT transformation capital expenditure** | **38,603** | 31,564 | (22.3%) |

1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs



In 2020, we expect to incur the following capital expenditure:
i. Core capex, for maintenance and growth, at 11-12% of revenues. In line with prior guidance and significantly lower than 2019 due to the completion of the technology transformation.
ii. Up to USD 20 million to enable the separation of shared services from Emirates NBD, a programme which has been brought forward, as previously highlighted. This includes the separation of a shared data centre in the UAE, independent employee visa services and financial systems, in order to improve our operational flexibility and create a platform for long term growth. This project is expected to complete by the end of 2021 with a total capital spend of up to USD 30 million.
iii. Up to USD 20 million to support our market entry to Saudi Arabia.

Underlying Free Cash Flow[1] (underlying FCF) was USD 103.2 million (2018: USD 109.5 million), 5.7% lower compared to 2018. The growth in underlying EBITDA[1] was offset by changes in working capital before settlement related balances, higher taxes paid in 2019, and higher maintenance and growth capital expenditure. Changes in working capital before settlement related balances were 4.0% of total revenue, driven by increase in trade and other receivables and higher vendor payments. Higher taxes paid mainly pertain to prior year tax payments.

Capital expenditure related to the technology transformation has not been deducted to arrive at underlying FCF[1], due to its nature as a one-off, non-recurring programme, completed in 2019.

Historically, the Group did not include growth related capital expenditure as a deduction within the definition of underlying FCF[1]. In our efforts to provide best practice representation of underlying FCF[1] generation, this classification has now been changed and growth related capital expenditure is included as a deduction. This reclassification has also been reflected in the prior year to enable a like for like comparison and the table below shows the reconciliation.

| Underlying free cash flow[1] | Year ended 31 Dec 2019 USD'000 | 2018 USD'000 | Change |
|---|---|---|---|
| Profit from continuing operations | **59,011** | 46,737 | 26.3% |
| Depreciation and amortisation | **46,789** | 34,572 | (35.3%) |
| Impairment losses on assets | **–** | 17,945 | 100.0% |
| Net interest expense | **24,844** | 20,159 | (23.2%) |
| Taxes | **6,632** | 10,956 | 39.5% |
| Gain on disposal of investment securities | **–** | (2,648) | (100.0%) |
| Share of depreciation of an associate | **4,222** | 2,978 | (41.8%) |
| Specially disclosed Items affecting EBITDA | **30,816** | 21,340 | (44.4%) |
| **Underlying EBITDA[1]** | **172,314** | 152,039 | 13.3% |
| Changes in working capital before settlement related balances | **(13,294)** | (2,575) | (416.3%) |
| Taxes paid | **(10,415)** | (5,420) | (92.2%) |
| Maintenance capital expenditure | **(25,431)** | (18,038) | (41.0%) |
| Growth capital expenditure | **(19,937)** | (16,500) | (20.8%) |
| **Underlying free cash flow[1]** | **103,237** | 109,506 | (5.7%) |

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Underlying free cash flow[1] – as presented earlier** | **123,174** | 126,006 |
| Less: Growth capital expenditure | **(19,937)** | (16,500) |
| **Underlying free cash flow[1]** | **103,237** | 109,506 |

1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs

# Chief Financial Officer's Review
continued

**Dividends**
A final dividend of USD 3.1 cents per share has been proposed for the year ended 31 December 2019, which is in line with our stated dividend policy to payout up to 15% of underlying net income. The dividend will be paid on 28 May 2020 to the shareholders on the register at the close of trading on 11 May 2020.

**Debt**
The Group's total debt, including Current borrowings, amounted to USD 377.4 million (2018: USD 429.3 million). Debt includes the amount outstanding under the acquisition financing facility of USD 280.9 million (2018: USD 324.3 million), revolving credit facility of USD 35.0 million (2018: Nil), working capital overdraft facility of USD 59.9 million (2018: USD 102.7 million) and lease obligations (excluding lease obligation for right of use assets) of USD 1.6 million (2018: USD 2.3 million). The working capital overdraft facility is largely used to fund settlement related balances, which is very short term in nature, and related to the timing of payment settlements in our direct acquiring business in UAE and Jordan. These have been discussed in more detail in the working capital section. During the period, the Group completed the repricing of its acquisition financing facility, as well as availed a new revolver facility, which was undertaken to enhance our liquidity and take advantage of the current interest rate environment. We continue to believe leverage of 1-2x underlying EBITDA[1] remains appropriate for the core business. We will also maintain flexibility to increase leverage moderately, or consider other financing options to support growth accelerators, including M&A, that meet our disciplined investment criteria. We therefore intend to refinance the existing acquisition financing facility, with greater headroom of up to USD 525 million, maintaining a similar interest rate to the existing facility, with amortised repayments expected to commence from 2022.

The Group also continues to monitor the developments in respect of the global reforms to the interest rate benchmarks and potential impact thereof, on the Group's existing and future financing options. The Group's existing acquisition financing agreement provides for an alternative mechanism for computation of applicable interest rate in case global interest rate benchmark is changed or not available for certain period of time.

Our leverage ratio, which represents net debt to underlying EBITDA[1] and is computed as per the methodology provided in the acquisition financing facility agreement, was 1.6x (2018: 1.8x).

The table below provides computation of leverage ratio.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Net debt | **273,754** | 278,473 |
| Underlying EBITDA[1] | **172,314** | 152,039 |
| **Leverage ratio** | **1.6** | 1.8 |

The table below provides the reconciliation of net debt as per the consolidated financial statements and methodology prescribed in the acquisition financing agreement.

| Particulars | Reference (consolidated financial statements) | 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| Non-Current borrowings | Note 15 | **211,783** | 280,802 |
| Current borrowings | Note 15 | **165,661** | 148,457 |
| Cash balance | Note 12 | **(43,754)** | (60,275) |
| **Net debt as per consolidated financial statements** | | **333,690** | 368,984 |
| Less: Bank overdraft | Note 15 | **(59,895)** | (102,741) |
| Add: Unamortised portion of debt issue cost | Note 15 | **7,814** | 9,415 |
| Adjustment * | | **(7,855)** | 2,815 |
| **Net debt** | | **273,754** | 278,473 |

1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs
* As per the definition of Net debt provided under acquisition financing facility agreement, including an adjustment to the cash balance for share of Group's associate and restricted cash balance of Group's subsidiaries.

**Partnership with Mastercard**
Our commercial agreement with Mastercard was signed earlier in the year and provides for a USD 35 million cash investment spread over a five year period, which will contribute to either operating costs or capital investment. The cash investment may vary each year, dependent upon the initiatives we agree to develop together. The accounting treatment for recognition of the investment will be as follows:

- Operating cost cash contributions will initially be recognised in the statement of financial position as deferred revenue. Upon satisfying the criteria specified in the agreement with Mastercard, revenue will be recognised under the 'Other Revenue' line in the income statement, and an expense will be recognised as and when the cost is incurred against this revenue item.
- Capital investment cash contributions will initially be recognised in the statement of financial position as deferred revenue. Upon satisfying the criteria specified in the agreement with Mastercard, revenue will be recognised under the 'Other Revenue' line in the income statement. As and when asset development reaches the appropriate phase, it will begin to be recognised on the statement of financial position as capital work in progress, and when the asset is fully complete and available for use, depreciation or amortisation charge (as the case maybe) will begin to be recognised through the income statement.

**Relevance of United Kingdom exit from the European Union**
Whilst the Group is listed on the London Stock Exchange, we have no material operations and exposure to the UK or European Union market, as our entire business is focused around the MEA region, therefore we anticipate no impact from the UK leaving the EU (Brexit), on our business operations.

**Definitions:**
**Constant Currency Revenue**
Constant Currency Revenue is current period revenue recalculated by applying the average exchange rate of the prior period to enable comparability with the prior period revenue. Foreign currency revenue is primarily denominated in Egyptian Pound ('EGP'). The other non US backed currencies that have a significant impact on the Group as a result of foreign operations in Nigeria and South Africa are the Nigerian Naira ('NGN') and the South African Rand ('ZAR') respectively. The table shows the average rate of these currencies per USD for 2019 and 2018.

| Currency rate vs USD | 2019 Average rate | 2018 Average rate |
|---|---|---|
| Egyptian Pound (EGP) | **16.83** | 17.88 |
| Nigerian Naira (NGN) | **306.39** | 305.51 |
| South African Rand (ZAR) | **14.43** | 13.13 |

**Key Performance Indicators**
To assist in comparing the Group's financial performance from period-to-period, the Group uses certain key performance indicators which are defined as follows.

**Total Processed Volume ('TPV') (USD million)**
TPV is defined as the aggregate monetary volume of purchases processed by the Group within its Merchant Solutions business line.

**Number of cards hosted (million)**
Number of cards hosted is defined as the aggregate number of cards hosted and billed by the Group within its Issuer Solutions business line.

**Number of transactions (million)**
Number of transactions is defined as the aggregate number of transactions processed and billed by the Group within its Issuer Solutions business line.

**Rohit Malhotra**
Chief Financial Officer
8 March 2020

# Principal Risks and Uncertainties

**Introduction from the Audit and Risk Committee Chairman**
Darren Pope, Senior Independent Director and Audit and Risk Committee Chairman

"Effective management of the risks we face across our business is pivotal to the success of our strategy and our position as the best payments partner in the Middle East and Africa.

We recognise that our risk profile is not static and will continue to evolve as the business grows. To this end, the Board have completed a robust assessment of new and emerging risks facing the business using our Enterprise Risk Management Framework ('ERMF') to ensure risks are identified and to aid our assessment of whether the Group is adequately prepared for the potential threats they present."

**Overview**
At Network International we are committed to embedding a strong culture of risk management which supports good governance and sound risk management practices across the Group. We operate in dynamic markets across the Middle East and Africa which can be impacted by a multitude of geo-political events and regulatory changes. Therefore our continued growth in the region, together with our expansion plans for the Saudi Arabia market alongside rapid technological developments in the payments industry present shifting demands on our operational and technology capabilities. All of these factors expose our business to multiple challenges, risks and uncertainties. Consequently, the effective and efficient identification and management of these risks is key to the successful achievement of our strategic objectives.

Since the listing of the Group on the London Stock Exchange in 2019, we have embarked on a journey to enhance our existing risk management model to further align with international standards including the 'Committee of Sponsoring Organizations of Treadway Commission' ('COSO') and 'International Standards Organization' ('ISO'). During 2019 we engaged PwC to support us in the development of an appropriate best-fit 'Enterprise Risk Management Framework ('ERMF')' for our business.

The Group's overarching ERMF has since been approved by the Board, and builds upon and enhances our risk management approach.

We have established a clear risk governance model utilising the three lines of defence model to ensure effective risk management, oversight and assurance. Our third line of defence (internal audit function) is now further strengthened following the appointment of a new Chief Internal Auditor in 2019, as discussed further on page 88. The Internal Audit function reports independently to the chair of the Board Audit and Risk Committee ('BARC').

Our approved risk strategy, risk appetite and principal risks are derived from our five year business strategy. Our key risks identified in 2018 have been further refined by the Board to form our eleven principal risks. For each principal risk we have a defined risk appetite and key risk indicators ('KRIs') to ensure effective monitoring of risk trends.

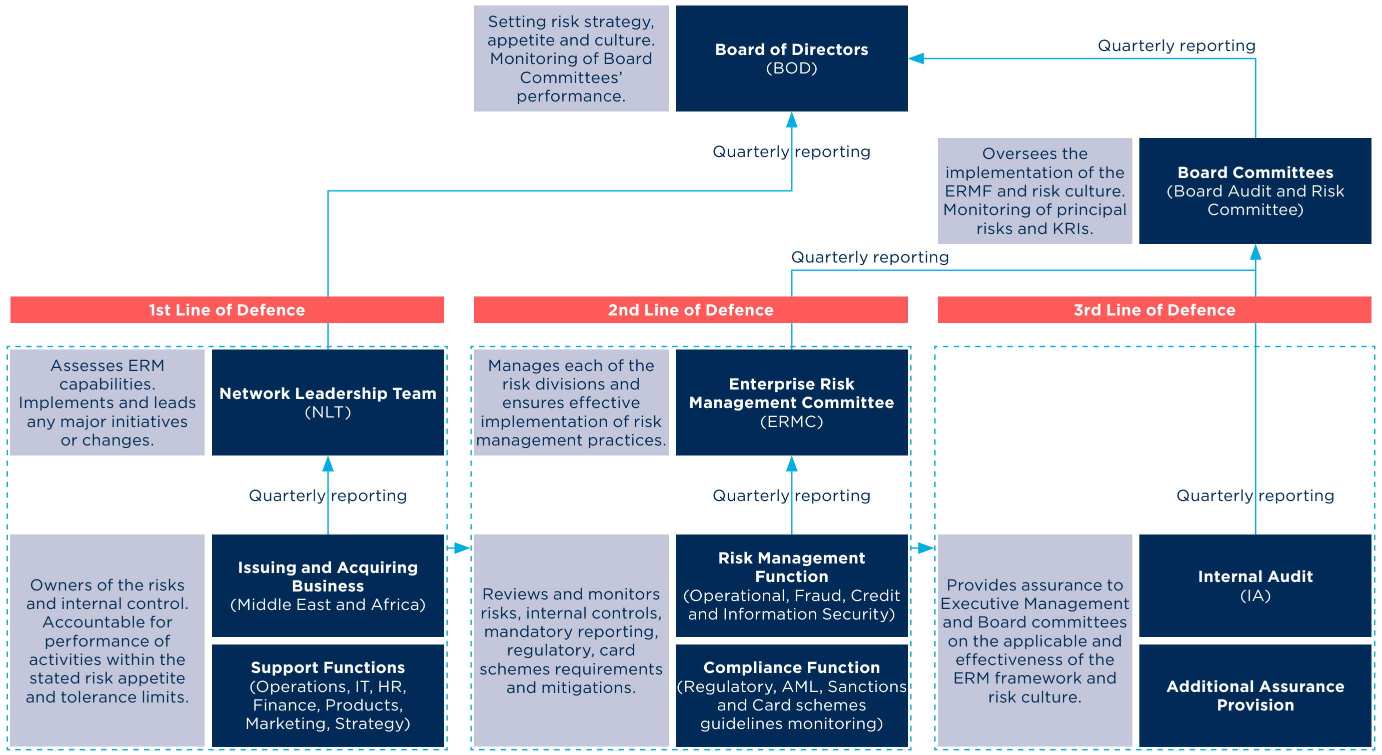
Our reporting standards have also been enhanced to meet the requirements of the 2018 UK Corporate Governance Code. All of these efforts will help us in the coming years to make better risk based strategic decisions and enable us to provide safe and secure payment solutions to our partners in the Middle East and Africa.

We have generally seen the risk trends remaining stable for our principal risks with investments in our cyber security and technology infrastructure being particularly noteworthy. However, we recognise that we operate in a dynamic business environment and that our risk profile will continue to evolve over time. We remain focused on new and emerging risks which could adversely affect our accepted risk profile and strategic planning in the longer term. We have identified a number of these risks which are primarily driven by external factors including cyber, regulation, market stability and climate change over which we can have limited control. However we continue to monitor each of them closely to ensure we understand the potential impact to our operations and to ensure we modify our risk mitigation plans accordingly. The increasing risk on execution is much more within our control and we continue to assess and increase our capacity to deliver against our strategic objectives. Further detail on the new and emerging risks can be found below on page 60.

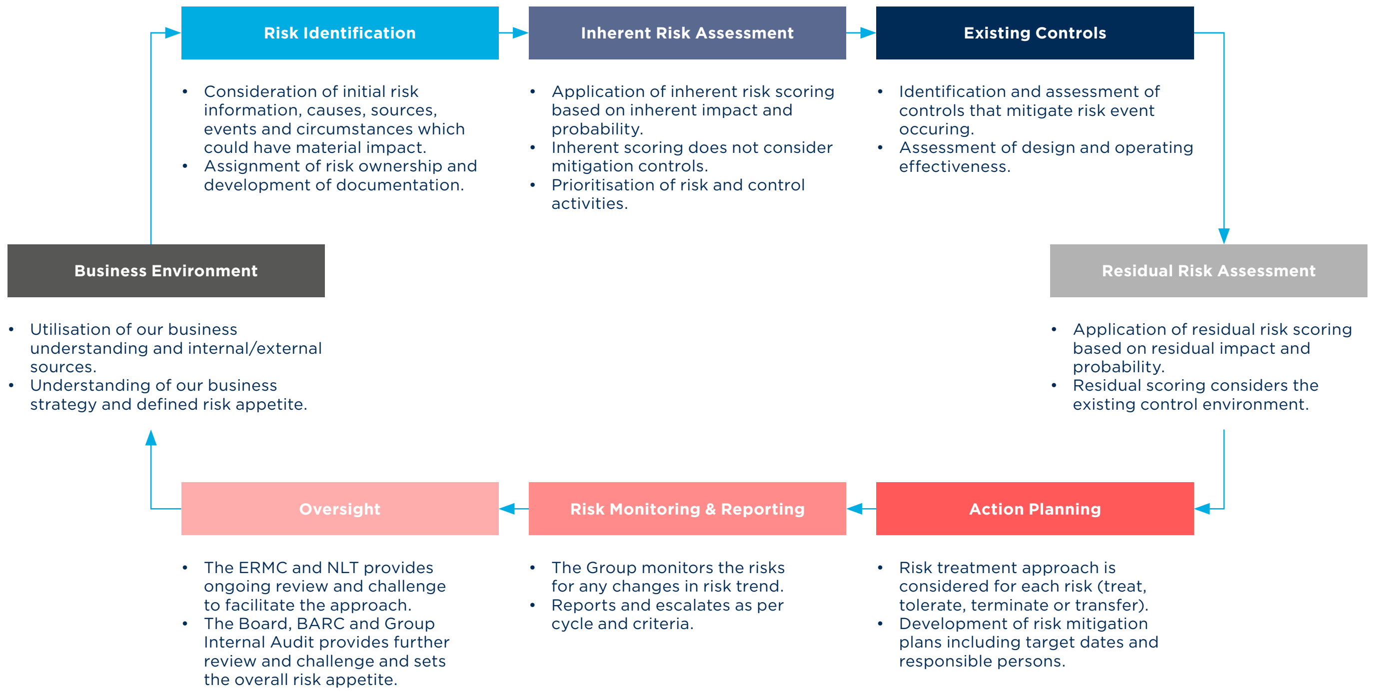
**How we manage Risk**
We have a dynamic, practical and action-oriented ERMF, which helps us in proactively responding to changes in our business environment, whilst continuing to deliver on our expectations of increased transparency, value protection and creation.

**Our approach to Risk Management:**
At Network International, we maintain a robust and sustainable ERMF, which ensures risks are properly identified, assessed against tolerance levels and appropriately managed across the Group. Our ERMF is designed to minimize the potential threats to achieve our objectives. We have approached the bottom up risk assessment process on a risk assessed basis and this work will be completed during the course of 2020 for lower risk business units. The overall approach is underpinned by a bottom-up approach and examined from a top-down perspective.

**How we manage risk**




**Our approach to risk management**



# Principal Risks and Uncertainties continued

During the year, Management have sought to build a richer picture of the risk facing the Group's operations. Below we have listed a number of our successes as part of the management of our operational risks:

- During 2019, we completed over 70 functional risk assessments across all group locations and over 400 project/ product risk assessments Operational Risk Assessment of Projects ('ORAP') during the product life cycle;
- Introduced significant changes to enhance our approach to risk assessments including automation, an improved change management process and working efficiencies;
- We completed 10 on-site vendor risk assessments on our critical vendors to provide comfort over those partners critical to our delivery and supply chain cycle.
- Approval of the Group's Enterprise Risk Management Framework by the Board.

From a business continuity perspective, we have made great strides in implementing a robust Business Continuity Management ('BCM') framework. The Group risk team completed 98 Business Impact Analysis ('BIA') and over 45 business resiliency tests and exercises across the Group.

**Risk Culture:**
The Group is committed to embedding a strong risk culture to support good governance and sound risk management practice. The Board and the Executive Management Team play a key role in directing and influencing this by ensuring:

- that a risk based approach is used during key decision making;
- consistent tone from the top and clear responsibilities for risk identification and challenge;
- employees have risk management accountability and escalate issues on a timely basis;
- our incentive structures promote a risk aware culture to effectively manage risk and remunerates employees accordingly; and
- we adopt a culture of "learning from our mistakes" to foster continuous improvement of processes and controls.

Risk awareness is embedded within the Group and is grounded in our strong ethical values and pro-active corporate culture. Our risk management philosophy is cascaded top down and bottom up and runs through all our management, employees and connected stakeholders.

To improve risk awareness across the organisation, multiple online training modules were launched and successfully completed in addition to class-room and instructor led training sessions on Information Security, Cyber Incident Management, Payment Card Industry Data Security Standards, Business Continuity Management, Operational Risk, Sanctions, Anti- bribery and Anti-Corruption, AML and Code of Conduct.

The importance of risk culture is reinforced in the Group's policies and standards and the Code of Conduct, to which all employees receive annual training as part of the attestation process.

**Focus Areas for 2020:**
Work will be undertaken in 2020 that will focus on further embedding our approach to risk management throughout our business, markets and support functions to build an even richer picture of risk information.

The priorities for Group Risk throughout 2020 will be:

- Complete the rollout and to embed the framework across all Group functions;
- We have also invested in a new GRC platform – RSA Archer. This will provide us with a common foundation for managing risks, controls, risks assessments and loss management. The platform enables cross-functional collaboration and alignment.
- Complete 'bottom-up' risk assessments for all functional units. Each of these units will then implement risk and control self-assessments ('RCSA') as part of our ongoing push for greater risk understanding and awareness;
- Development of contingency planning across our markets and territories to manage any geo-political uncertainty we are subject to as a business; and
- Based upon our assessment of new and emerging risks facing the business, we will carry out deep-dive thematic reviews into each risk. These risks are outlined below on page 61.

**Our Principal Risks**
Having completed a robust assessment of emerging and principal risks, the Board considers these to be the most significant risks facing the Group. Not all risks facing the business are listed; however, we have highlighted on page 61 those emerging risks that we consider may have an impact on the business. These risks are not listed in any particular order of priority.

For 2019, the overall risk profile of the Group is being managed at acceptable levels with the majority of the Group's Principal Risks falling within the 'Informed' risk rating. There are small number of 'High' ratings within Cyber Security and Geopolitical Risks which we expect to remain high given the underlying inherent risks associated with Cyber Risk and the Group's geographical focus on the Middle East and Africa.

The overall risk trend when compared broadly to the risk profile for the prior 12 months has been stable due to the continuous investments in the Group's infrastructure, resources, governance model and internal control framework.

The following section contains information about the principal risks, including a summary of the progress made in 2019 and the priorities for 2020, their potential impact, our risk appetite and the link to our strategic priorities.

**Risk appetite rating defined:**
**Low –** We will ensure that we have sufficient controls and mitigations in place to allow for a low level of risk whilst recognizing there may be a limited reward potential.
**Informed –** An approach which we feel could deliver reasonable rewards, economic or otherwise, by managing the risk in an informed way.
**High –** Willing to consider opportunities with higher levels of risk in exchange for potential greater reward.

**Risk trends defined:**
↓ Decrease in principal risk impact and/or probability at residual level.
↔ No change in principal risk impact and/or probability at residual level.
↑ Increase in principal risk impact and/or probability at residual level.



## Cyber Security

**A breach of the Group's infrastructure resulting in the compromise of data or service disruption through cyber security breaches.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| An external cyber-attack, insider threat or 3rd party breach could cause the loss of confidential data or service disruption.<br><br>**Link to strategy:** | Approved information security standards and policies are applied and reviewed on a regular basis. All annual audits were passed with zero non-conformities.<br><br>Earlier in the year, Protiviti (Global Consulting Firm) completed a Cyber Security Maturity Assessment ('CSMA') of the Group. Based on the findings of the report, current security trends and to standardized the security posture across the group, further investments and multiple remediation solutions were in the process of implementation to improve the overall security maturity levels.<br><br>Robust cyber security systems cover all areas of the business. Crisis management and business continuity frameworks are also in place for all IT systems. | The Group will continue to focus on the below areas:<br>• To standardize our security solutions across regions<br>• Ensure closure of the remaining identified gaps from the CSMA review.<br>• Continue to invest and implement new age security solutions to safeguard the Group from emerging risks.<br><br>Continued education and cyber security awareness programs for all personnel. | ↑<br><br>**Risk appetite:**<br>Low<br><br>The Group will not accept risks which may compromise the confidentiality, integrity and availability of its data and its customer's data. |

## Technology Resilience

**Risk of interruption to critical production services and delays to projects caused by limited availability of technical skills, poor delivery by vendors, software defects introduced to production which could expose the Group to financial losses (e.g. client claims and loss of business) and reputational impact.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| Undesired level of service to customers due to failure in or poor performance of technology and/or system operating environment resulting in customer attrition, financial and/or reputational loss.<br><br>**Link to strategy:** | Completed major enhancements across our critical systems including upgrades to our 'Network One Platform' and Network Lite Platform.<br><br>Developed a Group-wide consistent IT disaster recovery and business continuity program, with some testing activity underway in 2019. | Further investment into our technology and security infrastructure, including the opening of a world-class data center in Dubai and expansion of the existing facility in Abu Dhabi.<br><br>Group-wide IT disaster recovery and business continuity testing to be completed during 2020. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>We are accepting of some level of modest disruption, within the relative norms of the markets in which we operate. However we ensure appropriate levels of resilience are in place to minimize the impact to our customers. |

# Principal Risks and Uncertainties continued

## Operational Resilience

**Risk of inability to execute operational processes and deliver on contractual obligations due to operational inefficiencies and discontinuity, defects, errors and delays, which could damage customer relations, decrease potential profitability and expose the Group to liability.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| An unexpected disruption to operational performance that may cause damage to customer relations or financial loss to the business.<br><br>**Link to strategy:** | The Group has initiated a digitisation road map as we look to automate many of the manual processes across operations. This includes the introduction of robotic process automation ('RPA') and the removal of redundant processes.<br><br>Crisis management and business continuity framework in place to support operational resilience, with some testing activity underway in 2019. | The Group will further continue to automate processes through RPA for next set of manual activities<br><br>Continue to strengthen the first line of defence through the completion of risk and control self-assessments for all first line operational functions. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>Whilst we continue to enhance our control framework across the Group we are accepting of some degree of operational failure from time to time provided the impact of failures remain within acceptable limits. |

## Strategy & Business

**Risk of the Group's inability to achieve growth, failure to enter into new markets and maintain its position as the best payments partner in the Middle East.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| We do not retain our strategic position as the best payments partner in the Middle East and Africa impacting our ability to maintain market share and to meet growth and profit targets.<br><br>**Link to strategy:** | Focus on diversified revenue streams across multiple markets.<br><br>Development of a product road map linked to the Group's business strategy.<br><br>Five year business plan in place aligned with market consensus forecasts. | Development of Digital Proposition with MasterCard to increase attractiveness of the 4-party model and develop specific strategy to address the non 4-party threat.<br><br>The Group also has specific plans to enter new markets like KSA which would further enhance our position and lead to diversification of our portfolio. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>Revenue growth in line with investor expectations and no dilution of Group's market position in its markets of operation. |

## People

**Inability to attract, develop & retain a skilled workforce and inconsistent organisational culture across the Group.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| We are unable to effectively manage our workforce to ensure consistent delivery of the Group's strategy and/or operational performance.<br><br>**Link to strategy:** | Continued to celebrate the success of our employees through new reward and recognition initiatives.<br><br>Recruited widely across the Group to bring in additional capacity and capability to support our growth. | Integration of training requirements into the annual performance appraisal process to encourage healthy interaction between line managers and employees.<br><br>Assimilation of inputs from the Training Needs Analysis Survey to form the basis of the training calendars that would be rolled out on a quarterly basis in the various regions of operations.<br><br>Implementation of additional career planning and job shadowing schemes as part of our people upskilling program. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>Group annual attrition rate not to exceed defined parameters however we accept a modest number of regretted losses which do not materially impact operational efficiency or impact our customers. |

## Regulatory Compliance

**Failure or inability to comply with relevant laws, regulations and scheme obligations; Failure to identify monitor and respond to changing regulations or scheme rules; Failure to comply with regulatory reporting requirements in a timely manner.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| A breach or non-compliance to legal or regulatory standards leading to penalties, sanctions or reputational damage.<br><br>**Link to strategy:** | Continued to monitor for regulatory change in existing markets and to ensure we are adequately addressing all compliance risks as per our compliance framework.<br><br>We introduced a market abuse and insider dealing Policy. Awareness training was also provided to all staff including senior management and Board.<br><br>The Group implemented and updated the obligations register for all jurisdictions where the Group has a physical presence. | The Group will automate its AML transaction monitoring process.<br><br>Completion of our annual compliance plan and target assurance reviews.<br><br>Continue to ensure all KYC/AML documentation is maintained and reviewed for all markets and territories.<br><br>Continue training programs provided to employees and monitoring of the 24/7 whistle-blower hotline. | ↔<br><br>**Risk appetite:**<br>Low<br><br>The Group will not accept practices which could cause breaches of laws, regulations or scheme rules; or a delay and/or failure to adapt its systems, processes and controls to prevent material compliance breaches and/or regulatory censure. |

# Principal Risks and Uncertainties continued

## Geopolitical

**Risk of significant political, social and economic instability in one or more of the Group's target markets which could have a material adverse effect on the Group's business, financial condition and results of operations.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| A geo-political event within our markets that impacts our ability to do business or to meet our strategic objectives.<br><br>**Link to strategy:** | Further diversification of our markets and territories including developing on soil capabilities in the KSA.<br><br>Strong revenue growth in Africa increasing revenue diversification.<br><br>Country risk assessments are currently being done for all cross border markets. | Execution of the KSA strategy and building a sustainable business model.<br><br>Continued management focus on executing acceleration opportunities to further diversify business mix.<br><br>The Group will continue to explore acquisition options to more rapidly diversify business<br><br>Management will continue to monitor the geo-political within the region.<br><br>All outstanding country risk assessments will be completed in 2020. | ↔<br><br>**Risk appetite:**<br>High<br><br>The Group's growth strategy is focused on markets which are likely to be subject to higher levels of political, legal, economic and social instability than those in more developed markets. |

## Financial

**Financial risks for the Group arise mainly from the following three elements: (1) Not having sufficient liquidity to meets its obligations as they fall due; (2) Exposure to adverse movements in foreign exchange rates arising from Group's foreign operations and transactions in currencies other than AED and pegged currencies; and (3) Exposure to adverse Interest rate risk primarily on its variable rate long-term borrowing/revolving line of credit, which it uses to manage its working capital needs.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| Our liquidity, foreign exchange or interest rate risks are not effectively managed affecting the businesses ability to meet its financial obligations, profitability targets or working capital needs.<br><br>**Link to strategy:** | Liquidity requirements continued to be managed and monitored through efficient planning.<br><br>We realised savings in interest and acquisition costs. This was due to downward trends in interest rates and effective renegotiation on margin. | The Group is in the process of developing its financial risk management policies related to Liquidity, FX and Funding.<br><br>Continued automation of manual processes that support data consolidation and reporting. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>The Group will manage its liquidity, FX and Interest rate risks in line with agreed policies and thresholds. |

## Fraud

**Risk of compromise of card or merchant data or compromise of systems or networks or collusive merchants with the intention of performing unauthorised payment transactions for financial or non-financial gain resulting in losses to the Group or Group's clients.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| Internal or external parties intentionally and/or illegally misrepresenting the Group or any of Group's clients resulting in financial losses, legal action or damage to our reputation.<br><br>**Link to strategy:** | Fraud detection and awareness training is provided to relevant internal stakeholders.<br><br>Established e-commerce authorisation controls to reject unsecure, high velocity transactions.<br><br>Enhancement of 24/7 suspicious transaction monitoring prior to payment to merchants.<br><br>Investment in additional fraud monitoring tools for the Network One Platform. | Continue to develop and expand our fraud detection capability in line with the latest technology and fraud trends.<br><br>. | ↓<br><br>**Risk appetite:**<br>Low<br><br>Acquiring fraud losses vs sales percentage to be less than market averages. |

## Credit

**Risk of merchants' inability to satisfy obligations resulting in chargebacks or scheme fines. Risk that the Group will be liable for meeting the settlement obligations of sponsored issuing clients where such clients are unable to do so or comply with scheme rules.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| Failure of our sponsored banking clients to meet their settlement obligations and our merchants failing to meet their obligations to customers resulting in financial losses or reputational damage to the Group.<br><br>**Link to strategy:** | The Group initiated periodic reviews (annual and quarterly) to ensure high risk merchant exposures remained within risk appetite.<br><br>Implemented Group-wide acquiring portfolio risk reviews. | The Group is in the process of enhancing its merchant assessment to minimize merchants' risk levels.<br><br>The Group will implement early risk warning monitoring of SME merchant portfolio. | ↓<br><br>**Risk appetite:**<br>Informed<br><br>Credit losses should not exceed defined threshold of total merchant sales volume by portfolio. |

# Principal Risks and Uncertainties continued

## Third Party Risk

**The Group's reliance on third-parties to provide systems, technology infrastructure, product development and service delivery. Risk of data breaches of third parties systems, service disruptions with no alternatives, non-compliance to contractual obligations, applicable laws and international standards.**

| Risk Impact | Progress during 2019 | 2020 mitigation plan | Risk Trend |
|---|---|---|---|
| A third-party provider does not meet its obligations, which are negatively impacting our customer relationships, and causing disruption to business performance.<br><br>**Link to strategy:** | Classification exercise completed across all vendors to identify critical and high-risk vendors.<br><br>Contracts for all other vendors have been reviewed ensuring they incorporate mandated provisions. | Conduct assurance programme for high-risk vendors.<br><br>Monitoring for vendor service performance for high-risk vendors. | ↔<br><br>**Risk appetite:**<br>Informed<br><br>The Group will not accept risks which may compromise the confidentiality, integrity and availability of its data and its customers data. |

**RISK APPETITE**
Risk appetite is the amount of risk we are willing to take in pursuit of our objectives. It defines the level of risk at which appropriate actions are needed to reduce risk to a level that we are willing to accept. As defined in our principal risks disclosure we consider risks from a low, balanced and high perspective. Each principal risk has a number of Key Risk Indicators that provide objective evidence of status of risk against risk appetite. Our risk appetite is not static and may change over time in line with changing capabilities for managing risk and our business environment.

The risk appetite statement has been approved by the Board.

**EMERGING RISKS**
Emerging risks have the potential to increase in significance and affect the performance of the Group and, as such, are continually monitored through our existing risk management processes by risk owners at all levels of the Group. We also use tools such as horizon scanning, operational risk aggregation and external sources to support our analysis. The outputs of these processes are reported to the BARC and Board of Directors for their review and assessment.

Our ERM process ensures emerging risks are considered to aid the Board Audit and Risk Committee's assessment of whether the Group is adequately prepared for the potential threats they present. The process enables new and changing risks to be discussed at an early stage allowing us to analyse them thoroughly and assess potential exposure.

We closely monitor emerging risks and with time they may become principal risks as they mature. Emerging risks may also be superseded by other risks or cease to be relevant as the internal external environment in which we operate evolves. A non-exhaustive list of some current emerging risks of relevance to the Group are set out below.

**Group Risk Appetite Statement**
"At Network International ('NI'), our growth strategy is focused on maintaining our position as the best payments partner in the Middle East and Africa. We accept that these markets are subject to higher levels of geo-political uncertainty and business risk than those in more developed markets, and are also accepting of any concentration risk based upon our entry into these markets and territories, though we act to mitigate this through revenue diversification.

We will aim to balance this against a low appetite for any risks that compromise the confidentiality, integrity or availability of our data, our customers' data or our cyber security posture. Additionally, we look to minimise our exposure to any risk which will adversely impact our stakeholders, operational performance or compliance with relevant regulation and legislation. NI has a low appetite to incur losses from financial risk.

We will support this appetite with a level of investment that ensures we have suitable levels of policy and controls to effectively manage these risks, facilitate decision-making and continue to support our growth strategy.

This means as a business that we have an informed appetite to taking risks which will enable us to drive growth in a sustainable manner providing an adequate return on investment and which limits our exposure to those areas where we have a low risk appetite and effectively control those to which we have a greater appetite for risk. We believe that managing these risks in the right way will support out our aim of enabling commerce in the world's most under penetrated payments markets."

### NEAR TERM RISK

**Increasingly sophisticated Cybersecurity Threats**
We expect to see an increase in the level of sophistication of cyber related attacks as a result of the shifting geo political tensions in the MEA. We regularly intercept sophisticated and malicious third-party attempts to identify and exploit system vulnerabilities, or which aim to penetrate or bypass our security measures, in order to gain unauthorised access to our networks and systems or those of our associated third parties.

We follow a defence-in-depth model to ensure we are proactively employing multiple methods of defence at different layers to protect our systems against intrusion and attack. However, we cannot always be certain that these measures will be successful and will be sufficient to counter all current and emerging cyber threats.

**Risk of Execution: Operational & Technical Capabilities**
Our ambitious growth and expansion plans could be compromised if we are not able to deliver critical internal transformational projects or strategically important projects to clients within expected deadlines. Our growth plans will create heightened levels of risk with regard to people and management capacity to ensure on time delivery without disruption to our day to day operations. Failure to do so could cause us to lose business, increase our costs and expose us to negative publicity, and/or diversion of operational, technical and other resources to correct or re-perform such services.

**Coronavirus**
We observe the recent emergence and spread of the coronavirus ('COVID-19 virus') in many regions. We are monitoring developments closely and are conducting internal planning to assess any impact to our operational resiliency and third party supply chains.

### MEDIUM-TERM RISK

**Evolving payments regulation in the MEA**
With the increase in growth and innovation of payments services in our region and particularly in Africa, we recognize the need for regulators to create new regulatory frameworks to drive innovation and competition but also to safeguard the interests of participants in the payments ecosystems. These regulatory initiatives which may be diverse in nature, could present increased complexity and cost to our operating model.

### LONG-TERM RISK

**Political Change**
Our business focus is on the emerging markets of Middle East and Africa. We recognize some countries within this region have a history of political volatility. The risk of continued political and economic change could affect our operating results. Changes in governments may increase the complexity of serving customers in a country due to actual or potential political or military conflict; the imposition of UN, US or other sanctions which may restrict our ability to service customers in those countries.

**Climate Change**
In an ever-changing world, we recognise that we have a responsibility to meet our environmental and sustainability commitments and obligations. This includes failing to understand our impact on the local environment or reporting requirements.

# Responsible Business

Network International is committed to a sustainable and responsible approach across our operations and business lines. Through an active and diverse programme of people, environmental, health and safety, and corporate social responsibility (CSR) initiatives, we seek to ensure we have a positive impact across our organisation and on the locations, communities and individuals we engage with when conducting our business.

Whilst we run our business in line with the expectations of diverse regional and international stakeholders, we also see corporate responsibility as a discipline that helps us to manage risks and capitalise on the opportunities presented by a changing world.

Our approach is to integrate environmental, social and people practices into our day-to-day business activities, which are led by the Group Chief Human Resources Officer, who is a member of the Executive Management Team. We measure our success not only in terms of financial criteria and business performance, but also through employee engagement, and the way in which we are able to support the communities we serve.


## Engaging and Supporting our People

Our people have been instrumental in driving our strategy and growth throughout 2019. Their dedication and commitment have powered our transition from a small privately-owned business to the biggest technology company to list on the London Stock Exchange since 2015. It is therefore highly encouraging to note the 13 percentage point improvement in overall employee engagement from our 2019 Employee Engagement Survey.

**People: At the Heart of our Business**
Our vision is to proactively support the Company's strategic objectives to achieve growth and profitability, by providing Value Added Services to customers throughout our expanding geographical footprint. In doing so, we aspire to place our people at the heart of our business – people who enjoy their work and are committed to supporting our goals.

We understand that engaged employees who are allowed to realise their full potential, deliver superior service to our customers, generating a virtuous circle of enduring business relationships. Therefore, Network International aims to maintain a company culture that is both cohesive and inclusive, and that celebrates employee diversity. This is fostered through our promotion and embodiment of the Company's values, which are focused on: character, customers, continuity, collaboration and care.

We also seek to encourage innovation among our workforce; improve customer orientation at all levels; provide career development opportunities; and recognise outstanding contributions to the Company and the fulfilment of its business objectives. By successfully bringing together these elements to create a complete and compelling



Employee Value Proposition (EVP), we aim to make Network International an 'Employer of Choice' across our regions, attracting a workforce of well-qualified and experienced people with relevant skillsets to accomplish our goals.

Our people hail from all parts of the world, representing an increasingly diverse range of nationalities that have grown from 46 in 2017 to 53 in 2019.

Maintaining a diverse collective pool of employees across our footprint promotes innovation and creativity, especially when complemented by our commitment to treat every one of our people with the respect, dignity and fairness they deserve. This is reflected in our attrition rate, which has been steadily falling over the past three years, from 12.9% in 2017 to 7.1% in 2019.

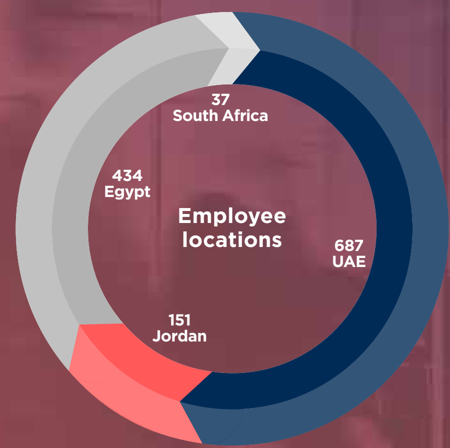
**An inclusive philosophy**
In keeping with the objectives of the United Nations' Sustainable Development Goals (SDGs), and particularly Goal 5, we are committed to achieving gender equality and have implemented a range of policies, programmes and engagement initiatives to help us achieve this goal. We follow the UN Women's Empowerment Principles, whilst our Group HR Policies encourage and support female participation from recruitment and through every level of the Company, providing a variety of engagement activities as well as flexible timings during pregnancy, maternity and nursing.

We recognise that talent has no boundaries and are proud to foster an inclusive culture, through our equal access policy and opportunities for colleagues with additional needs or disabilities. We extend all the necessary support required to hire and appoint such colleagues, in positions that are best suited to their experience and skills.

**Our Diverse and Expanding Family**

| | Number of men | Number of women |
|---|---|---|
| Total workforce | 1,007 | 302 |
| Board of Directors | 10 | 1 |
| Executive Management Team | 7 | 3 |
| Senior Managers (reporting into the Executive Management Team at Network Group) | 45 | 15 |

**4.7%**
Increase of workforce (Y-O-Y)



# **Responsible Business**
continued

Hiring and promotion decisions shall be based on aptitude, abilities and qualifications related to the relevant role. We also provide the appropriate means for all colleagues to perform their duties, in terms of equipping the workplace to suit their needs, as well as making any reasonable alterations to premises, services, or communication channels to ensure an accessible and safe environment. Through this approach, we proud to ensure that all colleagues are treated fairly and equally.

In our Africa operations in 2019, we integrated our three facilities in Cairo into a new office and conducted our first ever walk-in interviews to fill open positions in January; while in South Africa, we are proud to have attained the Broad-Based Black Economic Empowerment (B-BBEE) annual certificate.

Through these and other initiatives, Network International continues to celebrate and nurture both our internal diversity and that of society at large, reflecting our enduring philosophy of inclusivity and community support.

**An open and engaging environment**
Network International remains focused on ensuring efficient and effective lines of communication with employees at all levels. We maintain a host of communication channels through which employees may voice concerns or make suggestions of any kind. These include a dedicated email address; 'Ask Simon', which provides a direct channel to our CEO; anonymous suggestion boxes; and regular townhall meetings to communicate the Company's financial progress and major updates. We have also introduced 'Coffee with Simon' – a forum in which the CEO interacts with a variety of employees, irrespective of their seniority or grade, providing them with an opportunity to share their views and ideas.

As part of our continuous efforts to engage with our employees, listen to their concerns and identify issues early so as to proactively address them, we also perform regular Employee Engagement Surveys. The results of these surveys are analysed before designing appropriate solutions; this process is conducted with the full participation of employees, allowing them to become fully invested in devising and implementing solutions. In our 2019 Employee Engagement Survey, we achieved an overall engagement score of 65%, representing a rise of 13 points over 2017, based on a participation rate of 72%. The survey also revealed that 87% of respondents are proud to be part of Network International; 83% believe the Company has an excellent reputation among the community; and 79% feel that we value diversity.

One of the improvement areas identified by employees through the survey in 2019 is work-life balance. Suggestions to improve this, gathered as part of a workstream initiated following the survey, included encouraging line managers to lead by example by not working too late – which generates pressure on others to do the same – and even restricting employee time in the office or encouraging vacations. Following additional region-specific collaborative sessions to discuss this further, a final set of proposed actions to improve work–life balance will be tabled for consideration by the Network Leadership Team over the coming months.

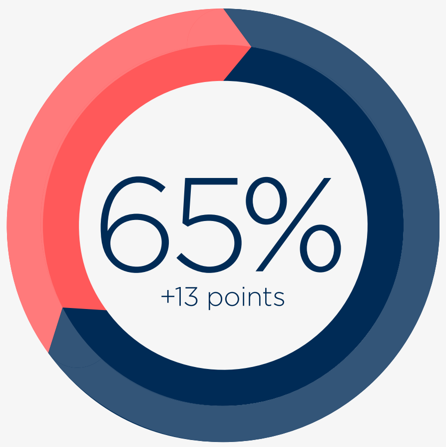
Another workstream established as a result of the 2019 survey results concerned learning and development (L&D), and how this aspect of our employee engagement might be strengthened, leveraging Network International's resources to achieve a greater L&D impact across our workforce. It was suggested, in this regard, that an online tool could be established for self-learning on technical, functional and operational topics, complemented by in-person knowledge-sharing sessions on payments, operational expertise, presentation skills, story building/telling and making a pitch. This workstream resulted in proposals for the creation of a company-wide L&D Charter that will define our vision, mission statement, and associated roles and responsibilities going forward. A further proposal will seek to expand our female networking sessions; to include all regions and cover additional topics such as elevator pitches, presentation skills, storytelling skills, negotiation skills, conflict management and business communications.

**Nurturing our talent**
Our talent management philosophy is built upon the knowledge that our people are our most valuable assets. Ultimately, our Unique Value Proposition (UVP) in a competitive marketplace is our highly creative, capable and committed workforce.

Therefore, we remain passionate about attracting and retaining talented and qualified individuals who will thrive in our unique culture. Our robust performance management system ensures that each member of our workforce is challenged by competitive objectives to ensure the best possible performance from them.

Engagement Score
Network International maintains a host of communication channels through which employees may voice concerns or make suggestions of any kind. These include a dedicated email address; 'Ask Simon', which provides a direct channel to our CEO; anonymous suggestion boxes; and regular townhall meetings to communicate the Company's financial progress and major updates. We have also introduced 'Coffee with Simon' – a forum in which the CEO interacts with a variety of employees, irrespective of their seniority or grade, providing them with an opportunity to share their views and ideas.

Overall Engagement Score






**Network International Employee Charter**

**Communication:** Maintaining an 'open door policy' and providing relevant updates concerning our organisation.

**Fair Treatment:** Promoting inclusion and equal opportunity throughout our organisation.

**Fair Compensation:** Assuring fair remuneration and work time standards.

**Safety and Security:** Providing a safe and high-quality work environment.

The Network International Talent Management Framework (TMF) seeks to develop our people at all stages of their career and to ensure they remain engaged at all times by focusing on Performance, Behaviour and Accountability, with both transparency and consistency.

This passion and commitment to our people is encapsulated in our Employee Charter, which sets out our commitment to all Network International employees to enhance our workplace culture and work effectively in partnership with them to ensure a fair, safe, high-quality and inclusive workplace.

Our talent management initiatives are directed towards understanding skill gaps, recognising performance and developing our people's abilities. They are greatly informed by feedback from our employees themselves, including through our anonymous Feedback Channel, which allows us to address questions raised by staff.

Providing internship opportunities represents a key initiative in our approach to enhancing employee engagement and building a stronger sense of community among our people. This is demonstrated by the Summer Internship Programme for the Network International Extended Family, the second round of which was delivered in August 2019 and saw 23 children of our employees in the UAE aged 15 to 18 join the Company for a month of work experience, bringing fresh perspectives to our work and creating young brand ambassadors.

Other initiatives include allocation of shares to the majority of employees following the IPO the launch of the employee stock option plan, and our 'Star of the Month' employee recognition initiative that recognises one staff member and one team from across the Company that have demonstrated outstanding behaviour, performance or commitment. We also plan to launch a Long Term Incentive Plan (LTIP) for a number of colleagues in the coming year.

Furthermore, we previously extended paid maternity leave for all our full-time female employees from 60 to 90 calendar days, and paid paternity leave for all our full-time male employees from two to five calendar days.

| | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|
| Number of staff trained | 378 | 573 | 1,309 |
| Number of training hours | 4,240 | 4,697 | 21,040 |
| Training coverage for the organisation | 66% | 75% | 100% |

**Enhancing skills and building careers**
We are committed to developing the relevant hard and soft skills of our people at every level of the Company.

The effectiveness of the training delivered is then assessed through a variety of tools to ensure effectiveness, drive continuous improvement and help design and plan future training modules.

We also seek to promote from within before looking outside and encourage referrals from among our employees – affording our people the opportunity to fulfil their ambitions and aspirations for self-improvement.

**Human Rights**
As an international company, we are committed to ensuring we take positive steps to protect the human rights of our people wherever they work, and recognise the opportunity to contribute positively to the communities in which we operate. Although we don't have a specific human rights policy, our comprehensive suite of employee policies that underpin our culture are consistent with human rights principles.

**Anti-Bribery and Anti-Corruption**
As more fully described in the section on the Group's values and culture within the Governance Report on page 79, our culture is supported by a suite of policies, including anti-bribery and anti-corruption policies. Employees are regularly reminded of the importance of complying with all policies and they are required to participate in mandatory annual training, which involves passing an exam, which tests their understanding and application of each policy. Furthermore, as described on page 79, we also maintain a confidential whistleblowing helpline, which allows any employee to raise any matter in confidence.

**Modern Slavery**
Network International is strongly opposed to slavery and human trafficking; we operate a zero-tolerance approach within our organisation, and we will not knowingly support or do business with any organisation that is involved in either. Based on the nature of our business, we believe that the risk of slavery and human trafficking in our supply chains is low. However, our supplier management policy and approach to procurement activities require our businesses to undertake due diligence and conduct a risk assessment against all suppliers before we engage them and, periodically, throughout the contract term. We also include standard terms in all our contracts to reinforce our opposition to slavery and human trafficking. Our approach is supported by our suite of employee policies, which are consistent with human rights principles, and our corporate policies including our Anti-Bribery and Anti-Corruption Policies, Conflicts of Interests Policy and our Whistleblowing Policy.

**Supporting our people in 2020**
In the coming year, we will continue to implement initiatives to further improve employee engagement and buy-in. In keeping with our new status as a publicly listed company, we will also implement an enhanced suite of performance management initiatives.

We plan to expand training scope to improve personal capabilities and support the continuing professional development of our people. This is especially important given the speed of our business growth following our recent business transformation and public listing on the London Stock Exchange.

These commitments will be delivered upon across our markets and throughout our global footprint.

# Responsible Business
continued

## Ensuring the Health and Safety of our People

Through Network International's proactive health, safety and environment (HSE) policy, we aim to ensure the provision of comprehensive standards and best practices to govern our occupational health and safety management. The policy has been designed to achieve full compliance with all legal and regulatory HSE requirements in our regions.

It covers every one of our employees – whether permanent, contractual or third parties working for us. Compliance with this policy is mandatory for all organisational units of the Group, including our main business groups, support and control units, subsidiaries, co-locations, offices and branches, whether inside or outside the United Arab Emirates.

The HSE policy and accompanying framework also provide guidance on the protection of the environment and the prevention of pollution arising from our operations; define a safe working environment for our staff, customers and third parties under our jurisdiction; reduce risks and hazards and lower the number of accidents and injuries in the workplace; and embed a safety culture that acknowledges at all times that safety is a priority. Other key focal points of the policy include emergency response management; event management and safety; and travel and transportation safety and security awareness.

**Our HSE commitment in action**
High HSE and sustainability standards are strictly applied and followed in all our offices across our international footprint, in order to safeguard our employees. To ensure that employees remain in good health, we also organise periodic employee wellness sessions and health check-ups – including General Practitioner (GP) consultations – along with blood pressure, BMI and blood sugar testing.

As part of our Employee Wellness Programme in 2019, we also organised eye check-ups for our staff in the UAE through MaxVision, completed a blood donation drive and delivered flu vaccinations for employees. We also ensured regular insurance team visits to all our premises to assist our people with any claim-related queries.

## Safeguarding our Environment

We are keenly aware of our responsibilities toward the natural world and, in particular, our duty to reduce the levels of waste and carbon emissions we produce as a consequence of our operations.

Among other methods, we seek to achieve this by instilling a culture of rational waste reduction and prevention among our workforce, encouraging our people to commit to simple measures that have the potential to create major positive impacts. These include using both sides of a sheet of paper when printing and copying, whenever possible; using e-mail to exchange documents and post business announcements; and circulating internal memos and documents electronically.

In this regard, Network has initiated a 'Paper Weight Challenge' at its UAE office, the goal of which is to encourage NI employees to think before they print, and to Reduce, Reuse and Recycle all forms of paper. In 2018 & 2019, approximately 4.5 tons p.a. was converted from waste to energy in collaboration with Beeah Tantheef, a UAE-licensed environment company.

**A proactive employee-driven approach**
Our employees are highly proactive in their approach to environmental issues. For example, as the UAE population increases year-on-year, so too does the waste that accumulates in the country's natural spaces. In response to this issue of growing concern, the female staff of Network International's UAE office volunteered to conduct a clean-up of Jebel Ali Beach in December 2019, collecting a large quantity of waste with a view to reducing the harmful effects of discarded plastic and other man-made pollution on the local environment.

**Recycling and energy saving**
Recycling is another important component of environmental protection that we encourage via our in-house recycling programme. By providing employees with opportunities to recycle their waste whenever possible, we hope to make a small but meaningful contribution to the preservation of the Earth's natural resources.

We also partner with a range of retailers, including Choithrams supermarkets, to help them meet their sustainability goals. We achieve this by enabling paperless receipts, which provides their customers with the option to opt out of receiving paper receipts for a more sustainable shopping experience. More broadly, for many customers, we have reduced the size of receipt rolls by 40%, which has significantly reduced paper usage.

In 2019, we increased the number of recycling bins from 14 to 30, added an additional environmental initiative to our existing three programmes, and reduced our printed material in UAE by 20%.

We also continue to implement a raft of energy rationalisation measures, including the introduction of motion sensor activated lighting systems, energy-saving bulbs, automatic tap sensors to reduce water wastage and water-filled fuel pressure gauges. Indeed, water is inextricably linked to both energy and climate change – particularly in terms of water pumping and treatment, both of which are highly energy-intensive processes. Water conservation measures therefore also serve to reduce energy use and greenhouse gas emissions.

**Carbon emissions**
At Network International, we recognise that we have a duty to identify and minimise the impact we have in relation to carbon emissions, although our business activities do not directly create significant waste emissions. Our related initiatives include encouraging employees to conduct video conferences as an alternative to travel, and to encourage working from home where practical.

To date, as a private business, we have not formally catalogued and reported on our global carbon footprint. Having listed partway through our financial year 2019, we are therefore unable to report our emissions data in this Annual Report. As a listed company on the London Stock Exchange, we are required to measure and report our direct and indirect annual greenhouse gas emissions where it is practical to obtain such information. We have started monitoring these from the start of our 2020 and will therefore report on them in our 2020 Annual Report.

| Average electricity usage, kwh/year (2014-2016) | Average electricity usage, kwh/year (2017-2019) | Average electricity usage, kw/year improvement (2014-2016) to (2017-2019) |
|---|---|---|
| 725,000 | 628,600 | 96,400 |

| Average Water Usage in UAE, Gallons per head p.a. (2014-2016) | Average Water Usage in UAE, Gallons per head p.a. (2017-2019) | Average Water Usage in UAE, Gallons per head p.a. improvement (2014-2016) to (2015-2019) |
|---|---|---|
| 1,060 | 920 | 139 |

# Responsible Business
continued

## Supporting our Communities

Our CSR programme includes a range of activities across our geographic footprint that benefit both our society and the natural world. Our programmes are designed to encourage our colleagues to participate and invest time in supporting our communities.

As part of our community wellness efforts in the **United Arab Emirates**, Network International partnered with the Dubai Health Authority's Blood Donation Centre to organise a Blood Donation Drive for staff. We also established a clothing donation box outside our UAE office during the month of Ramadan, and our volunteers participated in Iftar meal distribution during the holy month.

During Ramadan Eid, we gave the children of various orphanages in the UAE an opportunity to buy something special; the children were accompanied by Network International volunteers who assisted them in purchasing an item of clothing or toy of their choosing.

Also during 2019, we celebrated the creativity of the Emirates through our support for the unique UAE Artists initiative launched by Network International to promote the work of UAE-based artists, especially talented Emirati artists and children with disabilities.

Meanwhile, Network International partnered with the Friends of Cancer Patients (FOCP) organisation to support their childhood cancer initiative – ANA. The initiative aims to enhance the lives of paediatric cancer patients and their families through the provision of care, and both financial and moral support. Working closely with FOCP throughout the year, we supported various activities such as the SMS Zakat campaign and Joy Cart in Dubai Hospital.


Meanwhile, during Ramadan in **Jordan**, Network International participated in the 'Don't Drive Fast and Break your Fast' campaign which aims to reduce the number of road accidents occurring in the final hours of the Ramadan fast. We also operated a Charity Clothing Bank – agreeing to host the donation box from October 2019 to October 2020.

In **Egypt** in 2019, Network International supported the '100 Million Healthy Lives' campaign, the primary goal of which is to eradicate Hepatitis C, offering the use of our three premises to be used in this national screening initiative and allowing citizens from the neighbourhood surrounding our Mohandeseen building, as well as our employees, to be tested.

### Enabling financial inclusion in Egypt

Meanwhile, in Egypt in 2019, we supported the Government in issuing the first cards under the Meeza scheme – a new National Payment programme and financial inclusion initiative designed to help the nation move towards a cashless society.

The Meeza card allows citizens to receive and make payments electronically, pay bills via ATMs and at government departments, make online payments, access state benefits and receive government subsidies.

As a certified partner to the scheme, Network International has provided the means for participating banks to become fully integrated and certified to process Meeza transactions.

**Supporting financial inclusion**
A key theme of our CSR approach is to support financial inclusion initiatives in the regions where we conduct business. Network International is playing its part in supporting greater access to financial services and products, powering a growing trend toward digitisation that is enabling financial inclusion and helping to lower the cost of banking services to consumers.

**A continued commitment to our communities**
Since Network International's inception, we have retained a deep commitment to the communities we serve. By giving back through our various CSR and outreach programmes and initiatives, we continue to support these communities in an expanding variety of ways.

In the coming years, we will continue to place sustainability at the heart of our operations, and to maintain the vital balance between success, sustainability and corporate social responsibility across our activities.

### Non-financial information statement

# Stakeholder Engagement

## Our Engagement with Major Stakeholders

| | |
|---|---|
| **Our Customers** | The trust of our customers has been fundamental to our success over the years and we remain committed to building on our strong customer-led value proposition that covers the entire payments value chain.<br>We maintain solid relationships with a diverse customer base, including over 70,000 merchants ranging from leading global and regional to small merchants, and more than 200 financial institutions.<br>Regular engagement with our customers and their feedback is important to us. For example, at our Annual Partner Meet, we create a platform for constructive networking between industry thought leaders and our customers; we also gather customer feedback on our products and services that helps us measure customer satisfaction and loyalty, which complements the Net Promoter Score survey that we conduct among customers across our markets.<br>We also organise Merchant and Bank Advisory Boards in the Middle East and Africa, which provide a structured forum for merchants and banks to discuss industry challenges and opportunities, and how they can benefit from new payments trends. |
| **Our People** | We understand that engaged employees who are allowed to realise their full potential, deliver superior service to our customers, generating a virtuous circle of enduring business relationships. Therefore, Network International aims to maintain a company culture that is both cohesive and inclusive, and that celebrates employee diversity. This culture is fostered through our promotion and embodiment of the Company's values, which are focused on: character, customers, continuity, collaboration and care.<br>We remain focused on ensuring efficient and effective lines of communication with all employees at all levels. Network International maintains a host of communication channels through which employees may voice concerns or make suggestions of any kind. These include a dedicated email address; 'Ask Simon', which provides a direct channel to our Chief Executive Officer; anonymous suggestion boxes; and regular townhall meetings to communicate the Company's financial progress and major updates. We have introduced 'Coffee with Simon' – a forum in which the Chief Executive Officer interacts with a variety of employees, irrespective of their seniority or grade, providing them with an opportunity to share their views and ideas. We also perform regular Employee Engagement Surveys and were pleased to see a 13 percentage point improvement in our engagement score this year. Further detail on our employee engagement can be found within page 64 in the Responsible Business section. |
| **Our Shareholders** | Since the IPO in April 2019, the Executive Management Team and members of the Board have engaged with a broad range of institutional investors. Management have met with over 218 investors from 148 institutions, including all major shareholders, through a number of international roadshows, as well as hosting conference calls. Management has also participated in numerous investor conferences. Lines of communication with shareholders are supplemented by regular market announcements and trading statements, information and presentations posted to the corporate website, and publicly available email contacts for both the Group Company Secretary and Investor Relations department.<br>In regard to Board engagement with shareholders: the Chairman has met with a number of significant shareholders to discuss matters of Corporate Governance and broader topics related to the business; whilst the Chair of the Remuneration Committee, Victoria Hull, has also consulted with major shareholders regarding the proposed remuneration policy. An experienced Investor Relations officer has also been hired in order to facilitate an ongoing dialogue with shareholders and ensure best practice communications and disclosure with the financial markets. |
| **Our Suppliers** | We rely on third parties across a number of geographies to enable us to deliver high quality service to our customers. We are committed to maintaining a reliable and ethical supply chain and we engage with our suppliers in a number of ways; through detailed due diligence at the start of the relationship, and supplier evaluation throughout the relationship to assess the quality of service and minimise any risks.<br>We have also implemented a supplier development programme aimed at strengthening suppliers' performance and capabilities, based on five main categories: quality of service, delivery timelines, responsiveness, price and technology capabilities. During 2019, we have carried out over 40 supplier evaluations jointly with customers to assess their capabilities, and to ensure that both customers and suppliers work in harmony for improved service levels. Our suppliers are also assessed from a risk perspective, with periodic on-site reviews for some vendors, to ensure risks are managed within acceptable levels. In 2019, we conducted over 10 such reviews and have developed mitigation plans to address any risks that were identified, which are being tracked on a continuous basis. |
| **Our Communities** | At Network International, we believe that the meaningful impact of our success comes when we are able to positively influence the wellbeing of the societies within which we operate. Our CSR programme includes a range of activities across our geographic footprint that benefit both our society and the natural world.<br>Among the various CSR initiatives undertaken by Network International we are particularly proud of: our partnership with the Dubai Health Authority's Blood Donation Drive; our support of UAE orphanages during the period of Ramadan Eid; our 'Celebrating UAE Artists' campaign wherein we offered the façade of our corporate headquarters building as a unique platform for UAE artists to showcase their talent; our support of the '100 Million Healthy Lives' campaign in Egypt; and our participation in the 'Don't Drive Fast and Break Your Fast' campaign in Jordan during Ramadan.<br>A key theme of our CSR approach is to support financial inclusion initiatives in the regions where we conduct business. We support greater access to financial services and products, powering a growing trend toward digitisation that is enabling financial inclusion and helping to lower the cost of banking services to consumers.<br>Further detail on our community engagement can be found within page 68 in the Responsible Business section. |

# Directors' Duties

**Statement in respect of s. 172(1) Companies Act 2006**
**Directors' Duties**
The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties, which are set out in the UK Companies Act 2006 (the Act).

**S.172 (1) of that Act is summarised as follows:**
A director of a company must act in a way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
(a) the likely consequences of any decision in the long term,
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the company.

In advance of the IPO, the Directors were advised by external lawyers of their duties and they are reminded on a regular basis within Board papers and part of their ongoing training and development. Directors duties is included as part of the Board induction programme given to all newly appointed Directors prior to attending their first Board meeting. Training on Directors duties is also given to all members of the Executive Management team to ensure they understand the requirements so they are better able to support the Directors in their decision making.

**How the Directors consider the matters set out in S.172 (1) (a) to (f)**
The Strategic Report, Governance Report, Remuneration Report and Directors' Report from pages 02, 72, 102 and 130 respectively disclose in detail: the mechanisms by which management and the Board engage with, receive regular information on, and assess the relationships with shareholders, employees, suppliers, customers, regulators and the community; the emphasis the Board has placed on developing a healthy culture amongst the Directors, reflecting the values and high standards of business conduct they encourage across the organisation; the importance the Directors place on positively maintaining those values and relationships; and the progress made in achieving high standards of business conduct and compliance with the 2018 UK Corporate Governance Code (the Code).

By way of example:
- The Board is focussed on the consequences of its decision making over the long-term. Our strategy (described in this report on pages 20 to 24) is focussed on providing solutions that allow customers to bring digital payments to more consumers across the MEA region. In pursuing its strategy, the Company is capitalising on growth opportunities across our markets and delivering solid financial performance. The Board continuously keeps the strategy under review at each Board meeting and sets aside a one full day meeting dedicated to a thorough development review. The Board also sets an annual budget and provides oversight of sound financial and internal controls across the Group. The Board, supported by the work of the Audit and Risk Committee, has developed and embedded a robust risk culture, under which risks are identified, mitigated and monitored against a pre-determined risk appetite in respect of each principal risk category.
- Our strategy, which is driving the success of the Company, is dependent upon our solid business relationships with our customers, business strategic partners, suppliers, and regulators (please refer to pages 14 to 15 and 24 to 27 in this report). The Board is mindful of our purpose (described on page 6) and of maintaining and developing those relationships when reviewing the strategy.
- The Board has overseen the progression of our people agenda, has ensured there are good levels of bilateral engagement with the wider workforce and a significant focus on the development and support of our employees as fully described in the 'our People' section of this report on pages 62 to 67. The Remuneration Committee is cognisant that the CEO to employees pay ratio are key lenses when considering the appropriateness of executive pay outcomes. The Remuneration Committee also ensures that wider colleagues pay and policies, and cultural context are intertwined with its remit and activities.
- We support the communities in which we operate, by creating employment and opportunities for our people, supporting the businesses of our customers and helping them to understand and service their consumers. Our businesses provide community support as described in our 'Responsible Business' section of this report on page 62 and by taking steps to safeguard our environment as described in the 'Safeguarding our Environment' section of this report on page 67.
- The Board, under the leadership of the Chair, has ensured there is a positive culture amongst the Directors reflecting the values (please refer to the section on 'Group's values and culture on page 79 in the Corporate Governance Report) it encourages across the organisation.
- Since the IPO, the Board has been mindful of the balance between the rights of ENBD and WP/GA under their respective Relationship Agreements (which subsequently terminated on 13 October, when their respective interest in the shares of the Company fell below 10%), and the interests and expectations of the Company's new investors. Accordingly, the Board has made significant progress in compliance with the 2018 UK Corporate Governance Code, as described in the Corporate Governance Report, including ensuring an orderly transition in Board membership with the appointment of two additional independent Directors in January 2020, three months prior to three Directors vacating their positions under the relevant provisions of the respective Relationship Agreements. The Company has recently entered into a strategic and commercial agreement with Mastercard as described within the Strategic Report on pages 17 and 22. Separately, Mastercard has acquired shares in the Company giving them total voting rights of 9.9% (as disclosed in the Directors' Report on page 130). Whilst the Board welcomes both the agreement with Mastercard and Mastercard's investment in the Company's shares, such investment was made in the market at arms-length and does not confer any additional rights over and above those enjoyed by other shareholders.

In the performance of its role, and engrained in its decision-making processes, the Board has regard to, and believes it has discharged, its duties reflected in s. 172 (1) of the Act.

The Strategic Report has been approved and is signed by order of the Board by:

**Simon Haslam**
Chief Executive Officer
8 March 2020

# Corporate Governance Report
## Ron Kalifa OBE

"The recruitment, motivation, development and retention of our employees at all levels is critical to the success of our business. Since the IPO, we have progressed our people agenda..."

Dear Shareholder,

**Introduction**
Since the IPO in April 2019, we have made solid progress in our aim to achieve and maintain the highest standards of corporate governance. Strong governance practices have been developed and embedded and will be further enhanced in 2020 to meet the high standards expected by shareholders and other stakeholders. The Board, under my Chairmanship, is committed to comply in full with the UK Corporate Governance Code (the Code) over time. Our first governance report explains the progress we have made since the IPO, our current governance arrangements, and our focus for further development.

**The Board**
The composition of the Board was carefully chosen prior to the IPO to introduce a wide range of relevant skills, experience and knowledge, whilst also reflecting the interests and expectations of our post-listing shareholders and the pre-IPO shareholders Emirates NBD Bank PJSC (ENBD) and WP/GA Dubai IV B.V. (WP/GA), which retained a minority shareholding as described in section Board and Committee membership, appointments and diversity on page 83. As a new Board, we took immediate steps to develop our effectiveness including reviewing a series of development and strategy support presentations at each of our meetings. This series, together with our normal ongoing business reviews, was designed to ensure that the new Directors built sufficient knowledge quickly to be able to contribute fully to the Board's review and development of strategy. We also developed our Board culture of healthy challenge and support, reflecting the values that we wish to encourage across the organisation.

We recognise the benefit of a thorough Board Effectiveness Review and believe the best time to conduct this will be around the anniversary of our IPO towards the middle of 2020.

The appointment of Anil Dua and Ali Mazanderani on 22 January 2020 as independent Non-Executive Directors further strengthens our Board. Their significant expertise in the payments space and operations throughout the Middle East and Africa brings additional knowledge and diversity to our deliberations on the development of our strategy. On 4 February 2020 Ali Mazanderani joined the Remuneration Committee and Anil Dua joined the Audit and Risk Committee. On the same day, I stepped down as a member of the Audit & Risk Committee. We will of course be sorry to see the departure of Shayne Nelson, Daniel Zilberman and Aaron Goldman, who have indicated their intention to step down from the Board at the next Annual General Meeting in alignment with the reductions in shareholdings and the termination of the Relationship Agreements with ENBD and WP/GA. After these changes, I am pleased to report that with five independent non-executive Directors, the composition of our Board and Committees is aligned with UK Corporate Governance best practice.

**Engagement with our shareholders and other key stakeholders**
Active engagement with our shareholders and key stakeholders is of great importance to us.

We have a programme of regular meetings with our major shareholders led by Simon Haslam, our CEO, and Rohit Malhotra, our CFO, to discuss strategy and performance. I have also met with many of our new institutional shareholders to discuss matters of governance and Victoria Hull has engaged with them to discuss our approach to executive remuneration, including the performance measures and targets for our annual and long-term incentive arrangements. Our performance measures are fully aligned with the targets and KPIs for the delivery of our strategy. We will continue with our programme of engagement in 2020 and beyond and look forward to your support at our first Annual General Meeting on 30 April 2020.

Continual focus on our customers, suppliers and where applicable, regulators, is crucial to the effective running of our business. Since my appointment, I have met with a number of key customers, but more importantly, management have a regular programme of engagement with all stakeholders. Reports of management engagement with all key stakeholders, backed by consistent KPIs, are provided on a regular basis to the Board and, where appropriate, the Board's Committees. More details on the engagement with the Company's stakeholders can be found in the Strategic Report at page 70.

**Employees and culture**
The recruitment, motivation, development and retention of our employees at all levels is critical to the success of our business. Since the IPO, we have progressed our people agenda by the development of appropriate human resource and health and safety policies, and have launched a new Employee Charter to enhance our culture in partnership with all employees. Our HR teams are working with Management and employees to ensure that the culture promoted by the Board is embedded throughout the organisation. Management have put in place various engagement mechanisms with our employees covering all our locations and feedback is given at our Board meetings. Separately, I have visited many of our sites where I have met employees at all levels and also had meetings with direct reports of senior management without management being present, to independently gauge the culture of the organisation. A full summary of the excellent progress made in the development of our people and our culture is given as a part of the Strategic Report on pages 62 to 69.

**Ron Kalifa OBE,**
Chairman
8 March 2020

# Board of Directors

## Ron Kalifa OBE

**Independent Chairman**

**Committee membership**

Chair of Nomination Committee and member of Remuneration Committee

**Date of appointment**

March 2019

**Other current appointments**

Chairman of FutureLearn
Non-Executive Director, Court of the Bank of England
Non-Executive Director, Transport For London

**Previous experience**

Mr Kalifa has significant experience in the payments industry. He was Chief Executive Officer of Worldpay for over 10 years, building and leading Worldpay into a premier global payments company. He is also an operating partner to Advent International and its advisers. Mr Kalifa also sits on the boards of Transport for London, the England & Wales Cricket Board and is a member of the Council of Imperial College, London. Mr Kalifa was awarded an OBE in 2018 for services to Financial Services and Technology.

## Simon Haslam

**Group Chief Executive Officer**

**Date of appointment**

February 2019

**Other current appointments**

Chief Executive Officer of the Group and serves on the Network International Board of Directors

**Previous experience**

Mr Haslam has more than 35 years of experience in the payments and banking sector. He was previously President and Chief Executive Officer of Elavon, a subsidiary of US Bancorp and one of the world's largest global merchant processing organisations. Prior positions during his term at Elavon include President of International Markets and Executive Vice President and Managing Director of Europe. In addition, Mr Haslam has held positions at Citigroup and HSBC. He is a Fellow of the Chartered Institute of Bankers.

## Darren Pope

**Senior Independent Non-Executive Director**

**Committee membership**

Chair of Audit & Risk Committee; member of Nomination Committee and Remuneration Committee

**Date of appointment**

March 2019

**Other current appointments**

Senior Independent Director, Equiniti Group plc
Independent Non-Executive Director, Virgin Money UK plc

**Previous experience**

Mr Pope is a qualified accountant with over 30 years of experience in the financial services industry. Most recently, Mr Pope served as CFO and Board Member of TSB Bank plc. Mr Pope has held a number of other senior positions at Lloyds Banking Group, Cheltenham & Gloucester plc, Egg plc and Prudential plc. He previously served as an Independent Non-Executive Director and Chair of the Audit Committee of Virgin Money Holdings (UK) plc prior to its acquisition by CYBG plc (now Virgin Money UK plc) in October 2018. At CYBG plc he is currently a member of its Audit Committee. He is also a member of the Virgin Money UK plc boards.

## Victoria Hull

**Independent Non-Executive Director**

**Committee membership**

Chair of Remuneration Committee, member of Audit & Risk Committee and Nomination Committee

**Date of appointment**

March 2019

**Other current appointments**

Senior Independent Director, Ultra Electronics plc
Non-Executive Director, RBG plc

**Previous experience**

Ms Hull is a former Executive Director of Invensys plc, a FTSE 100 global industrial and software company, and former Executive Director of Telewest Communications plc. Ms Hull has experience across many diverse sectors, including an extensive Corporate Governance and Remuneration Committee background. Her legal career commenced at Clifford Chance LLP in 1986 where she gained knowledge and experience working internationally on M&A for both public and private companies.

**Additional members of the Board**

Shayne Nelson, Daniel Zilberman and Aaron Goldman have indicated their intention to step down from the Board at the next Annual General Meeting (AGM) of the Company. This follows the reduction in shareholdings and discontinuation of the Relationship Agreements made with Emirates NBD Bank PJSC and WP/GA Dubai IV B.V.

**Shayne Nelson**
Non-Executive Director

**Date of appointment**
March 2019

**Daniel Zilberman**
Non-Executive Director

**Date of appointment**
March 2019

**Aaron Goldman**
Non-Executive Director

**Date of appointment**
March 2019

## Ali Mazanderani

**Independent Non-Executive Director**

**Committee membership**

Member of Remuneration Committee

**Date of appointment**

January 2020

**Other current appointments**

Non-Executive Director, Stone Co. Limited

**Previous experience**

Mr Mazanderani has extensive experience in the global payments industry. Most recently, Mr Mazanderani was a partner at Actis LLP, a global emerging markets investment firm. He has led multiple financial technology transactions, ranging from growth equity investments to leveraged buyouts in global businesses. Prior to this, Mr Mazanderani served as Lead Strategy Consultant at the First National Bank of South Africa and as a Consultant at OC&C Strategy Consultants in London. He currently serves as a Non-Executive Director for Stone Co Limited.

## Anil Dua

**Independent Non-Executive Director**

**Committee membership**

Member of Audit & Risk Committee

**Date of appointment**

January 2020

**Other current appointments**

Non-Executive Director, Liquid Telecom
Non-Executive Director, African Export Import Bank
Non-Executive Director, Nouvobang

**Previous experience**

Mr Dua has extensive experience operating in the pan-African financial services sector. Mr Dua is Founding Partner at Gateway, a private equity fund specialising in dynamic growth markets including Africa, the Middle East and Asia. Prior to this, Mr Dua worked for over 35 years with Standard Chartered Bank in Asia, Africa, Europe and US, where he held various roles including Regional CEO West Africa and Regional Head of Origination and Client Coverage, Africa. Mr Dua currently serves as a Non-Executive Director for Liquid Telecom, African Export Import Bank and Nouvobang.

## Habib Al Mulla

**Independent Non-Executive Director**

**Committee membership**

Member of Nomination Committee and Remuneration Committee

**Date of appointment**

March 2019

**Other current appointments**

Vice President of the Board of Governors of American University in Dubai

**Previous experience**

Dr Habib has extensive experience in UAE law. Dr Habib was Chairman of the CIArb (Chartered Institute of Arbitrators) UAE Committee and most recently served as Chairman of the board of trustees for the Dubai International Arbitration Centre ('DIAC'). Dr Habib was the architect of the legal framework establishing the Dubai International Financial Centre. Dr Habib also served as Chairman of the Legislative Committee of the Dubai Financial Services Authority ('DFSA').

Dr Habib has held numerous government positions, including as a member of the UAE Federal National Council, the federal parliament of the UAE, member of the Legislative Committee, member of the Economic Committee, Director of the Institute of Advanced Legal and Judicial Studies, in charge of training judges and prosecutors in the Emirate of Dubai and Chairman of the UAE Jurists Association.

## Suryanarayan Subramanian

**Non-Executive Director**

**Date of appointment**

March 2019

**Previous experience**

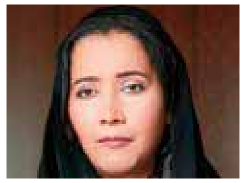
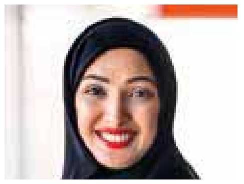
Mr Subramanian was Chief Financial Officer of the Emirates NBD Group in Dubai from September 2010 until January 2020.

Mr Subramanian has over 30 years' experience in Banking and Finance, primarily in South East Asia and the Far East with Standard Chartered Bank and Royal Bank of Canada, covering various CFO roles in geographic and business structures across Wholesale Banking, Retail and Wealth Management. Mr Subramanian has also worked with the Ministry of Finance and Accounting and Corporate Regulatory Authority in Singapore.

# Executive Management Team

| Name & title | Role | Previous experience |
|---|---|---|
| <br>**Simon Haslam**<br>**Group Chief Executive Officer**<br>**Joined:** January 2017 | Simon is the Group Chief Executive Officer of the Group and works closely with the Chairman and Board members to set strategic expansion goals for the organisation and lead the Executive Management Team in the accomplishment of these objectives. Simon is also Chairman/Director of Network International subsidiary companies for the Middle East and Africa. | Simon has more than 35 years of experience in the payments and banking sector and was previously President and Chief Executive Officer of Elavon, a subsidiary of US Bancorp and one of the world's largest global merchant processing organisations. Prior positions during his term at Elavon include President of International Markets and Executive Vice President and Managing Director of Europe. In addition, Simon has held positions at Citigroup and HSBC and is a fellow of the Chartered Institute of Bankers. |
| <br>**Rohit Malhotra**<br>**Group Chief Financial Officer**<br>**Joined:** October 2010 | Rohit is the Group's Chief Financial Officer and is responsible for overseeing the financial activities of the Group.<br><br>Having joined the Company in October 2010, Rohit has been actively involved in the growth of the Company for many years, including the acquisition of Emerging Markets Payments Holdings in 2016. | Previously, Rohit was the Head of Financial Policy and Processes at Emirates NBD, where he led Finance systems implementation across the Group. Prior to that, Rohit was one of the senior team leads in the Global Balance Sheet Reporting function of American Express, working closely with the Investor Relations team and before that he managed the Financial Planning activities for Nestle's South Asia Region. |
| <br>**Samer Soliman**<br>**Managing Director – Middle East**<br>**Joined:** November 2000 | Samer is the Managing Director for the Group's Middle East operations and is responsible for the acquiring and issuing business activities in the Middle East, and for implementing a strategy to drive the Company's business growth in the region.<br><br>Samer also sits on the product advisory board of UnionPay International, representing the Middle East region. | Samer joined the Company in 2000 and brings more than 20 years of experience in retail business, card issuing, acquiring and third-party processing. Prior to joining Network International, he was part of the team that set up the consumer business at Citibank Egypt. |
| <br>**Andrew Key**<br>**Managing Director – Africa**<br>**Joined:** July 2017 | Andrew is the Managing Director for the Group's Africa operations and is responsible for the acquiring and issuing business activities of the Group in Africa, and for developing a comprehensive strategy to drive business growth in the region. | Most recently, Andrew was the President of Elavon Europe, a subsidiary of US Bancorp ('USB'), and responsible for the entire P&L of the European business of Elavon. He was accountable for the diverse range of partner relationships that deliver distribution or product capabilities to Elavon's European business and led the team of 1,400 colleagues located in six markets, providing end-to-end payments services to 350,000+ customers. Prior to Elavon, Andrew held key positions in organisations such as Mastercard, Lloyds Banking Group and Barclaycard. |
| <br>**Mark Diamond**<br>**Group Chief Digital, Technology and Operations Officer**<br>**Joining:** March 2020 | Mark is the Group's Chief Digital, Technology & Operations Officer. Mark is responsible for leading the Group's Technology and Operations functions and is responsible for defining and delivering Network International's digital, technology & operations strategy and capabilities across the enterprise. | Mark has more than 20 years' experience of technology in the banking industry. Most recently Mark was CIO of Alrajhi Bank, the world's largest Islamic Bank with over 10 million customers. Prior positions include Head of Transformation at Deutsche Bank, where he led the global strategy and infrastructure transformation across 65 jurisdictions, and CIO of RBS's Retail Bank and Business Operations. |



| Name & title | Role | Previous experience |
|---|---|---|
| <br>**Jay Razzaq**<br>**Chief Risk Officer and Group Company Secretary**<br>**Joined:** April 2017 | Jay is the Chief Risk Officer & Group Company Secretary and has overall responsibility for the Risk, Compliance and Legal functions. Her responsibilities include the management and oversight of all risk-related disciplines across the Group, including enterprise risk management, regulatory and compliance, data governance and information security, and the legal and secretariat teams. | Jay joined the Group from Elavon, a subsidiary of US Bancorp, where she served as Head of Legal – International Markets. Jay has over 20 years' experience working across a number of major financial institutions including Citigroup and Royal Bank of Scotland Plc. She has advised on legal, regulatory and compliance issues impacting the retail financial services and payments services sectors in particular, across a number of jurisdictions in Europe and Latin America. Jay is a qualified Solicitor in England and Wales. |
| <br>**Paul Clarke**<br>**Head of Product and Innovation**<br>**Joined:** June 2017 | Paul is the Head of Product and Innovation and is responsible for transforming the Group into a world-class product and innovation-centric organisation and oversees the end-to-end product lifecycle from ideation, delivery and in-life management. | Paul was previously the Managing Director at Barclaycard Payment Services, responsible for product development and execution. He has delivered many strategic initiatives and was instrumental in creating a world-class product organisation and achieving real business change through product development. In his previous tenures in payments majors like Elavon Merchant Services and Worldpay, Paul was responsible for the product portfolio across key markets in Europe, Mexico and South America. |
| <br>**Hend Al Ali**<br>**Group Head of Human Resources and Facilities**<br>**Joined:** July 2013 | Hend is the Group's Head of Human Resources and Facilities and is responsible for leading the Group's human resourcing functions across the UAE, Jordan and Africa, developing and implementing the Group's human resource strategy and programmes. Under her stewardship, the Group has won government recognition and awards for human development and Emiratisation. | Hend has more than 20 years' experience working with and leading HR departments at various national and international operations based in the UAE. She is a recipient of the prestigious Dubai Human Development Award given by the Dubai Economic Department. She is also part of the Women's Committee in the Banking Sector, which is run by the Emirates Institute for Banking and Financial Studies. |
| <br>**Andrew Hocking**<br>**Group Chief Strategy Officer**<br>**Joined:** April 2017 | Andrew is the Group's Chief of Strategy and Analytics Officer and, in his role, he leads market intelligence, strategy development, corporate development and analytics functions within Network International. | Andrew was previously Head of Strategic Planning at Elavon working across North America, South America and Europe. Prior to this he held a number of positions at Barclaycard and Absa across both issuing and acquiring covering Europe and Africa where he led the Absa Card's strategy and change management function. |
| <br>**Mona Al Ghurair**<br>**Group Chief Marketing Officer**<br>**Joined:** October 2010 | Mona is the Group's Chief Marketing Officer. In her role, Mona manages the teams responsible for branding, public relations, communications, and events. She drives the branding and marketing strategy for the Group, optimally leveraging various promotion and publicity platforms, regionally and internationally, to maximise visibility for the Network International brand. | Mona has more than 18 years of experience in the marketing industry and has worked with Network International for more than 14 years, during which time she has also been involved with the product, sales and business development units. |

# Corporate Governance Report

## Compliance with the UK Corporate Governance Code

This report sets out how the Company applied the principles of the UK Corporate Governance Code 2018 ("the Code") and the extent to which the Company complied with the provisions of the Code in the period since 10 April 2019, being the date the Company's shares were admitted to trading on the London Stock Exchange, to 31 December 2019. The Code did not apply to the Network International Group prior to the Company's shares being listed, and although governance standards were high, there were certain areas of the Code that the Group did not comply with initially. To ensure this report is more meaningful, we have included the progress made in our governance arrangements up to the date of this report and our intentions for the balance of 2020. A copy of the Code is publicly available at www.frc.org.uk.

The Company complied with the Code throughout the period from its listing on 10 April 2019 and up to the date of this report, except as follows:

- The Company was not compliant with Provision 11 (at least half the board, excluding the chair, should be independent non-executive directors) and Provision 24 (audit & risk committee composition). Considerable progress was achieved during 2019, and following the announcement on 22 January 2020 of the appointment of two new Independent Non-Executive Directors to the Board, the appointment of one of those Directors to the Audit & Risk Committee, and the Chairman stepping down from the Audit & Risk Committee, we are now compliant in respect of both these provisions.
- We have not conducted a formal evaluation of the Board, its Committees, the Chair and individual Directors during the period as anticipated by Provision 21. The Board has decided that rather than conduct an evaluation in 2019, when the Board structure was evolving, it would be best to conduct an evaluation of its effectiveness around the middle of the year 2020;
- While there are a number of employee engagement mechanisms in place across the business, we did not have a formalised method of Board engagement with employees during the period as anticipated by Provision 5.
- Although significant progress has been achieved with our People agenda, as described fully at pages 62 to 69 of the Strategic Report, the Nomination Committee has not yet monitored the progress of achieving the objective of our policy on diversity and inclusion, nor has it formally reviewed the gender balance of those in senior management & their direct reports. The Nomination Committee will address these important matters during the course of the year, as required by provision 23 of the Code.

Further explanations of our progress and intentions are given in the relevant parts of this report.

**The Group's Governance Structure**

**The Board**
Board responsibilities and activity reported on pages 80 to 83

**Audit & Risk Committee**
Committee report on page 88

**Nomination Committee**
Committee report on page 100

**Remuneration Committee**
Committee report on page 102

**Network Leadership Team**
See pages 76 to 77 and 87

**Enterprise Risk Management Committee**
See page 87

**Role and responsibilities of the Board of Directors**
The Board is responsible for providing strategic leadership to promote the long-term sustainable success of the Company. The Board has established and regularly reviews the Company's purpose, values and strategy; it also ensures that the necessary resources are in place for the Company to meet its objectives and measures performance against those objectives. It has set and oversees a framework of prudent and effective controls, which enable risk to be identified, assessed and managed. The Board ensures that there is effective engagement with shareholders and other key stakeholders, including the workforce, so it understands the views of those parties. The Board regularly assesses and monitors the culture of the organisation so it can satisfy itself that the Company's values and culture are aligned with its long-term sustainable future.



**The Group's purpose, business model and strategy**
The Group's purpose, business model and strategy are described on pages 06, 14 to 15 and 20 to 21 within the Strategic Report of this Annual Report and Accounts.

**The Group's values and culture**
The Board has endorsed and continuously applies a Code of Conduct that is available on the Company's website at https://investors.networkinternational.ae/investors/corporate-governance/. The Code of Conduct requires everyone at every level across the organisation to act ethically and in compliance with all applicable laws and regulations. Furthermore, this code requires all employees to act in the best interests of the Company and shareholders, and to act professionally, exhibiting high levels of integrity and commitment. Under the leadership of the Chairman, the Board ensures that all decisions taken by it and the behaviours of each Board member, both in formal meetings and regular engagement with employees and other stakeholders across the business, are aligned and are consistent with the values set out in the Code of Conduct, which expect high standards of integrity along with professional and personal behaviour within and outside working hours in a manner that protects the Group's reputation and its interests. Significant progress with our People agenda has been achieved during 2019, including the launching of a new Employee Charter to enhance our culture in partnership with all employees. The CEO, with the support of his executive colleagues, has taken steps to embed this culture across the organisation, including regular training programmes, internal communications and reminders at team meetings.

The Board assesses and monitors culture in a variety of ways including: feedback from employee focus groups and surveys; reports from the HR, Risk, Compliance and Internal Audit functions, including reports of all matters raised under the Group's Whistleblowing Helpline and the way in which management have addressed all issues raised; reports from the external auditors; and face to face meetings during site visits and meetings with the direct reports of senior management in the absence of those senior management. The Board is greatly encouraged by the investment in our people as described on pages 62 to 65 and the 13-percentage point improvement in overall employee engagement in 2019.

The Board acknowledges the continued focus on employees to inspire them to stay and grow with the Company through the development of an engaging "Great Place to Work" and the introduction of a new Talent Management Framework and an Employee Charter which sets out commitments to employees.

The Company's culture has been boosted this past year by the development and roll out of our new Risk Management Framework. This is reinforced by and complements other relevant policies and formal regulatory and compliance training programmes including in relation to securities dealing (in line with the Market Abuse Regulation), the avoidance of conflicts of interest, anti-fraud, anti-money laundering, anti-bribery and corruption, competition, data protection and information security, business continuity, disaster recovery, and health and safety.

Participation in these mandatory training programmes and compliance with their requirements is regularly reviewed by the Group's Executive Management Team (Network Leadership Team) and the Board to ensure that a positive culture is maintained across the organisation. The Board believes that the culture is aligned with, and will continue to evolve alongside, the Company's purpose, values and strategy.

**Whistleblowing**
Employees at every level are actively encouraged to communicate any concerns they have through a variety of channels, including employee forums, team meetings, line management, HR or through the dedicated hotline setup for this purpose. In addition, the Company has in place a whistleblowing or 'speak up' policy, which allows employees to raise matters in confidence should they not wish to raise them through any of the above channels. All matters raised through the helpline are investigated thoroughly and regardless of the outcome, reported to the Audit and Risk Committee. The Audit and Risk Committee Chair presents his report to the Board on the proceedings at each Audit & Risk Committee meeting, and if any matters have been raised at the helpline, the same are brought to the Board's knowledge. To support the Board's work in assessing culture as described above, the Audit & Risk Committee has instructed Group Internal Audit, as part of its ongoing assurance work, to review the Group's Whistleblowing arrangements in terms of regular communication, awareness, usage and the follow up by management and reporting of all issues raised to the Audit and Risk Committee.

**Workforce engagement**
The Board acknowledges that the Company does not meet the qualifying criteria to report on some of the recently introduced legislation in The Companies (Miscellaneous Reporting) Regulations 2018. Specifically, reporting on employee engagement does not apply directly to the Company as it employs less than 250 employees in the UK. However, it is important that the Board be progressive and embrace the spirit of this regulation, which is to consider the wider workforce as key stakeholders to engage with on matters that concern them. To this aim, the Board recognises the current good levels of bilateral engagement between executive directors and senior management and the wider workforce. It is satisfied that those levels of engagement are adequately explained in the "Working Responsibly" section of the Strategic Report. For example, employees concerns and suggestions can be raised through a host of communication channels across the Group such as direct and indirect engagement

# Corporate Governance Report
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with the CEO via a dedicated "Ask Simon" email address, "Coffee with Simon" and quarterly townhalls. In the near future, a formal mechanism will be introduced to report to the Board the results of those engagement sessions, thus allowing the Board to review issues, initiatives and ideas which matter to the employees. The Board is also pleased that workforce engagement was further encouraged post-IPO through the grant of a one-time award of shares, equal to the greater of month's salary or 250 shares, to employees across our various geographies. The Company believes that extending share ownership across the organisation encourages loyalty and engagement, whilst allowing employees to share in the Company's success. The Company will pursue the implementation of an all-employee share plan in Financial Year 2020 to further encourage the involvement of employees in the Company's performance and align the employee experience.

**Shareholder engagement**
The Board believes that regular Board-level engagement with our investors is vitally important to create a mutual understanding of views. A comprehensive programme of regular meetings has been held with our major shareholders led by our Chief Executive Officer and Chief Financial Officer; the Chairman has met with shareholders on matters of governance; and the Chair of the Remuneration Committee has engaged with shareholders to discuss our approach to remuneration policy and practice. More information on our shareholder engagement is disclosed within the Strategy Report on page 70, in the Chairman's Governance Letter on page 73 and in the Remuneration Committee Chair's letter on page 105. Regular feedback of these meetings is given to the Board.

In addition, our brokers and our Investor Relations team provide regular reports to the Board of investor perceptions of the Company in relation to strategy, performance, governance and remuneration. These reports also include commentary on market expectations, share price performance, market trends and feedback from investors and sell side analysts.

The Group Company Secretary, who acts as the first point of contact in respect of governance related matters, will write to each of our major shareholders to enquire whether they would find it helpful to deepen their ongoing engagement by meeting with either the Chairman and/or the Senior Independent Director. She will also contact major shareholders as soon as this annual report and the notice convening the AGM are published to introduce herself in case they wish to raise any questions or concerns ahead of lodging their proxy votes.

The AGM provides an opportunity for shareholders to vote on a range of issues either by proxy and/or in person, when they can ask questions of the Board members including the Chairs of the Board Committees.

The Company uses its website and email as its primary means of communication with shareholders. The Annual Report, announcements of results and other matters and general information can all be found on the Group's website https://investors.networkinternational.ae/investors/. Enquiries from shareholders can be addressed to the Group's investor relations function through the contact provided on the Group's website.

**Other key stakeholder engagement**
The Board also recognises the importance of continuous engagement with the Company's other key stakeholders and ensures that formal programmes are in place to ensure that management fully understand the requirements and views of the stakeholders including customers, suppliers, and regulators. Regular feedback backed by KPIs is given to the Board and its Committees by the stakeholders including the CEO and other senior management. More information on key stakeholders and engagement is available in the Strategic Report at page 70.

**Matters reserved for the Board**
The Board has a schedule of matters reserved for its approval, which can be found on the Company's corporate website at https://investors.networkinternational.ae/investors/corporate-governance/ and has a formal structure of delegated authority, whereby specified aspects of management and control of the Group have been delegated to the Board Committees and the Chief Executive Officer. The Network Leadership Team, (Executive Management Team) and the regional operating divisions support the Chief Executive Officer in his day-to-day management of the Group's affairs. The Board has approved the terms of reference for the Audit & Risk, Nomination and Remuneration Committees and the role and responsibility documents for the Chairman, Chief Executive Officer and the Senior Independent Director, all of which can be found on the Company's corporate website. The powers of the Directors are set out in the Company's articles of association, which are also available on the Company's corporate website.

In line with its schedule of matters reserved, the Board is specifically responsible for:

- Strategy, including:
  - Responsibility for the overall management and oversight of the Group;
  - The approval of the Group's strategic aims and its business plan, and the review of the Group's performance in the light of these;
  - Setting the Company's values and standards; and
  - Approval of the extension of the Group's activities into new business outside the Group's existing business or geographic areas, or the cessation of any material part of the Group's business.

- Capital and structure, including:
  - Changes to the Group's capital structure, including the issue and buy-back of any securities;
  - Material changes to the Group's corporate structure, the Group's management or control structure; and
  - Changes to the Company's listing or status as a plc and recommendations to alter the articles of association, registered office or name of the Company.

- Board, Committee and other appointments:
  - Changes to the structure, size and composition of the Board, including the specific roles of Chairman, CEO and Senior Independent Director, following recommendations from the Nomination Committee, and determining the division of responsibilities of those roles, which should be set out in writing;
  - The terms of engagement and remuneration of the Non-Executive Directors;
  - Proposals for the re-election of Directors by shareholders at the AGM;
  - Proposals for the appointment, re-appointment or removal of the external auditors;
  - Establishing the Board's Committees, including the chair and composition of those Committees;
  - Succession planning for all Board and senior management roles;
  - The appointment and removal of the Chief Executive Officer and the Company Secretary;
  - Appointments to the Boards of principal operating subsidiaries; and
  - Delegated authority to Directors and senior management.

- Remuneration:
  - Determining the Group's remuneration policy, including the approval of share plans and pension plans; and
  - The approval of any large-scale redundancy programmes.

- Financial and reporting:
  - Approval of the Annual Report and Accounts, and the preliminary and half year results announcements;
  - Approval of the annual budget, capital and revenue expenditure over the limits delegated to management, estimates and forecasts made public;
  - Approval of the dividend policy, declarations of interim dividends and recommendations of final dividends; and
  - Approval of and changes to accounting and tax policies.

- Engagement and communication with shareholders and other stakeholders:
  - Ensuring effective engagement with the Group's shareholders and other stakeholders, including the workforce, in order to understand their views;
  - Convening of all general meetings of shareholders and approval of resolutions proposed to those meetings; and
  - Approval of all circulars, prospectuses, listing particulars and market announcements concerning matters decided by the Board.

- Contracts:
  - Approval of any transaction that would be required by the UK Listing Rules to be announced to the market;
  - Approval, amendment or termination of any commitment or arrangement (or series of such matters) with a value of greater than USD 20 million;
  - Any proposed acquisition or disposal of shares in a listed company; and
  - Any binding commitment to enter into a material strategic alliance, joint venture, partnership or profit-sharing arrangement.

- Capital expenditure and financing:
  - The approval of investments and capital projects, borrowings, indemnities and guarantees for an amount in excess of USD 20 million;
  - The creation of any mortgage, charge or pledge etc over all or part of the Company, its assets and uncalled capital; and
  - The issue by any member of the Group of any debt instruments in excess of USD 20 million.

- Corporate Governance:
  - Approval and oversight of the Group's Corporate Governance arrangements.

- Internal control:
  - Approval of the Group's risk appetite and appropriate policies on and systems of risk management and internal control; and
  - Approval of the risk management and internal control framework;
  - Monitoring, and at least annually, reviewing the effectiveness of the system of risk management and internal control.

- Policies:
  - Approval and oversight of material policies and procedures of the Group.

**Board activity during the period**
At each Board meeting, the Chief Executive Officer presents a comprehensive update on the strategy and business performance across the Group and the Chief Financial Officer presents a detailed analysis of the financial performance, both at Group and operating division levels. In view of the critical importance to the Group's business, the Board reviews progress reports on the

# Corporate Governance Report
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migration of our customers to our new platforms – Network One and Network Lite; and the roll out of our highly secure Android based payment platform N-Genius™. This is in addition to the regular in-depth review of these platforms and cyber security conducted by the Audit & Risk Committee. The Board continuously reviews the Group's strategy at each of its meetings and, in addition, holds one dedicated full day strategy meeting each year. Executives below Board level attend relevant parts of Board and Committee meetings in order to make presentations and answer questions on their area of responsibility. This gives the Board access to a broader group of executives and senior managers and helps the Directors make assessments when considering the Group's succession plans.

At its meetings during the period from March 2019 to the date of this report, the Board discharged its responsibilities, and in particular, it reviewed:

| | | | | |
|---|---|---|---|---|
| The IPO arrangements and the adoption of a range of policies, processes and other matters required of a London Listed Company | IPO debrief and ongoing engagement with post-IPO institutional shareholders | Board effectiveness and Board culture development. Understanding of the FCA Listing Rules | The markets in which the business operates | Development and strategy support presentations |
| Strategy development | Strategic partnership with Mastercard, backed by commercial agreement signed in 2019 | Business and financial performance | Review and approval of the 2019 half year and full year results and proposal for a final dividend | Reports from the Company's brokers in respect of market consensus and shareholder feedback |
| 2020 budget | Engagement with the Company's other stakeholders including:<br>• Workforce<br>• Customers<br>• Mastercard | Oversight of the Corporate culture and review of the 2019 employee engagement survey results | HR matters | Migration of customers to Network One and Network Lite. Roll out of our highly secure Android based payment platform N-Genius™ |
| Cyber Security | Oversight of the work conducted by, and reports from, the Audit & Risk, Nomination, and Remuneration Committees | Corporate Governance:<br>• Updates on key developments;<br>• Compliance with the 2018 UK Corporate Governance Code | The appointment of two additional independent NEDs on the recommendation of the Nomination Committee | Tax strategy and policy – Group's Tax Strategy Statement available on the Group's investor website https://investors.networkinternational.ae/investors/corporate-governance/ |

**Effectiveness of Risk Management and Internal Controls systems**
During the year, the Board, through the work of the Group Audit and Risk Committee, has conducted a review of the effectiveness of the Group's system of risk management and internal control in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. There is an on-going process for the identification and evaluation of risk management and internal control processes. The work conducted by management is complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, KPMG, and the Group Internal Audit function. Regular reports on control issues are presented to the Audit and Risk Committee by the Chief Internal Auditor. The Board, in reviewing the effectiveness of the system of risk management and internal control, can confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.

**Board composition**
As at 31 December 2019, the Board comprised the Non-Executive Chairman (independent on appointment), one Executive Director, three Independent Non-Executive Directors and four Non-Executive Directors. With effect from 22 January 2020, Ali Mazanderani and Anil Dua were appointed as additional Independent Non-Executive Directors. Shayne Nelson, Daniel Zilberman and Aaron Goldman, all non-independent Non-Executive Directors, will stand down from the Board at the forthcoming AGM, in alignment with the reduction in shareholdings and the termination of the Relationship Agreements made with ENBD and WP/GA. The biographical details of each of the current Directors can be found on pages 74 and 75 and on the Group's investor website at https://investors.networkinternational.ae/who-we-are/leadership/board-of-directors/.

**The Chairman**
The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. Ron Kalifa has been the Chairman throughout the period from the IPO to the date of this report. He was independent on appointment in March 2019. Throughout this period, Ron has led the Board through the transition from private ownership to a London listed company and has taken steps to ensure that both he and the newly appointed Independent Non-Executive Directors, have received a comprehensive induction, and that all Directors fully understand their legal duties and the expectations of shareholders who invest through the London market, including the requirements of the Listing Rules and the UK Corporate Governance Code.

The roles and responsibilities of the Chairman and Chief Executive Officer are separate and distinct and have been clearly set out in writing and approved by the Board. These documents can be found on the Group's investor website at https://investors.networkinternational.ae/investors/corporate-governance/.

**The Senior Independent Director**
Darren Pope has been the Senior Independent Director throughout the period from the IPO to the date of this report. The Senior Independent Director is available to shareholders should they have concerns that cannot be resolved through the normal channels involving the Chief Executive Officer or the Chairman. The Board-approved Role and Responsibilities of the Senior Independent Director are set out in writing and can be found on the Group's investor website at https://investors.networkinternational.ae/investors/corporate-governance/.

**Board and Committee membership, appointments and diversity**
Following the IPO, ENBD and WP/GA continued to be significant shareholders in the Company. Each entered into a Relationship Agreement with the Company on 1 April 2019, the key terms of which are described on page 131.

Under the Relationship Agreement between the Company and ENBD, ENBD had the right to nominate for appointment up to three Non-Executive Directors to the Board whilst its and its associates' shareholding in the Company were greater than or equal to 20 per cent. and to nominate for appointment one Non-Executive Director to the Board whilst its or its associates' shareholding in the Company were greater than 10 per cent. The first such appointees were Shayne Nelson and Suryanarayan Subramanian.

Under the Relationship Agreement between the Company and WP/GA, WP/GA had the right to nominate for appointment up to two Non-Executive Directors to the Board whilst its and its associates' shareholding in the Company were greater than or equal to 20 per cent. and to nominate for appointment one Non-Executive Director to the Board whilst its or its associates' shareholding in the Company were greater than 10 per cent. The first such appointees were Aaron Goldman and Daniel Zilberman.

On 5 September 2019, ENBD reduced its percentage holding of voting rights in the Company to 11.9% following the disposal of ordinary shares in the Company resulting in ENBD no longer being a Controlling Shareholder of the Company. On 5 September 2019, WP/GA reduced its percentage holding of voting rights in the Company to 10.76% following the disposal of ordinary shares in the Company resulting in WP/GA no longer being a Controlling Shareholder of the Company.

On 13 November 2019, ENBD and on 12 November 2019, WP/GA reduced their percentage holding of voting rights in the Company to 5.7% and 5.17% respectively following the disposal of ordinary shares in the Company. The Relationship Agreements between ENBD and the Company and WP/GA and the Company automatically terminated. ENBD and WP/GA ceased to be entitled to nominate Non-Executive Directors for appointment to the Board. The Company did not exercise its right to procure the resignation of ENBD's or WP/GA's nominated Directors, on the grounds that in the first year of operation as a listed company, the skills, knowledge and experience of Shayne Nelson, Suryanarayan Subramanian, Aaron Goldman and Daniel Zilberman and the contribution of each to the deliberations of the Board continued to be important.

The Board is also mindful of the need to consider the interests and expectations of the Company's new investors. On 13th March 2019, Ron Kalifa was appointed to the Board as Independent non-executive Chairman, and Victoria Hull, Habib Al Mulla and Darren Pope were appointed to the Board as Independent Non-Executive Directors. Excluding the Chairman, the ratio of Independent Non-Executive Directors to other Directors as at 31 December 2019 was 3:5, which fell short of the Code requirement provision 11 that at least half the Board, excluding the chair, should be non-executive directors whom the board considers independent. During 2019, the Board, with the advice of the Nomination Committee, reviewed its composition and appointed Anil Dua and Ali Mazanderani to the Board as Independent Non-Executive Directors with effect from 22 January 2020. Upon those Board changes, and as at the date of this report, the ratio of Independent Non-Executive Directors (excluding the Chairman) to other Directors is 5:5 which is in compliance with the requirements of the Code.

On 22 January 2020 it was announced that Shayne Nelson, Daniel Zilberman and Aaron Goldman had indicated their intention to step down from the Board but that they would continue to serve on the Board until the forthcoming Annual General Meeting, ensuring a smooth transition for the new Board members. Suryanarayan Subramanian will remain as a Board member, in order to provide support and continuity, given his long standing experience with the business and market.

The composition of the Board's Committees was further strengthened upon the appointment of the two additional Independent Non-Executive Directors: Ali Mazanderani was appointed as a member of the Remuneration Committee; and Anil Dua was appointed as a member of the Audit & Risk Committee. while Ron Kalifa stepped down as a member of the Audit & Risk Committee.

# Corporate Governance Report
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The current compositions of the Board's Committees are shown in the relevant Committee sections on pages 74 to 75. The search, selection and appointment process for Non-Executive Directors is shown in the section on the Nomination Committee on page 101.

When considering the appointment of new independent Non-Executive Directors, the Nomination Committee and the Board have regard to its Board Appointments Policy, which provides for diversity across a range of attributes, including skills, knowledge and experience, gender and ethnicity, to meet the needs of the business.

The Board Appointment Policy can be found on the Group's investor website at https://investors.networkinternational.ae/investors/corporate-governance/.

**Directors' conflicts of interest**
The UK Companies Act has codified the Directors' duty to avoid a conflict situation in which they have, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. The Board has established a process to identify and authorise conflicts. Directors have to notify the Group Company Secretary as soon as they become aware of actual or potential conflict situations. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association. Such a decision to authorise a conflict of interest can only be made by Directors who do not have any interest in the matter being considered.

The Nomination Committee also reviews the interests of candidates prior to making recommendations to the Board for the appointment of new Directors. The Nomination Committee and the Board applied the above principles and process throughout the period to the date of this report and confirm these have operated effectively.

**Confirmation of Director Independence**
At its meeting on 7 March 2020, as part of a thorough review of Corporate Governance against the Code, the Board considered the independence of the Non-Executive Directors. In doing so, they considered the criteria set out in provision 10 of the Code amongst other matters and determined that Victoria Hull, Habib Al Mulla, Darren Pope, Anil Dua and Ali Mazanderani were independent.

In reaching the above determination of independence, the Board considered the following (which was fully disclosed in paragraph 6.9 on page 201 of the Additional Information Section of the Prospectus published prior to the IPO):
- Habib Al Mulla is related to the Vice Chairman of ENBD, by virtue of being married to the Vice Chairman of ENBD's sister; and
- Habib Al Mulla is the Executive Chairman of Baker McKenzie Habib Al Mulla, the Chairman of the Board of Trustees of the Dubai International Arbitration Centre and is a UAE lawyer with over 30 years' experience. As the head of Baker McKenzie Habib Al Mulla's Disputes practice, Habib Al Mulla may occasionally be contacted by ENBD in the context of providing general advice or clarification in his area of expertise but in the vast majority of engagements other partners from within Baker McKenzie Habib Al Mulla have ultimate responsibility for the relevant engagement. Habib Al Mulla has himself never had a business relationship with the Vice Chairman of ENBD nor with ENBD.

Habib Al Mulla had confirmed to the Board that he was not acting for or with ENBD and shall at all times act independently without influence from the Vice Chairman of ENBD or ENBD.

On the basis of the above, the Board had concluded that Habib Al Mulla is independent, as defined in the UK Corporate Governance Code.

It was further noted that, in connection with the independent directors of the Company forming a view as to the independence of Habib Al Mulla, they had received advice from both Allen & Overy and Citi, both of whom had confirmed that they were comfortable with Dr Habib's independence.

**Confirmation of the Chairman's independence on appointment**
As disclosed in paragraph 6.8 on page 201 of the Additional Information Section of the Prospectus published prior to the IPO, Ron Kalifa was an Executive Director of Worldpay until May 2019. In March 2019, Fidelity National Information Services, which is one of the Group's competitors announced a merger with Worldpay (which completed in July 2019). Notwithstanding this situation, the Board determined at the time that Ron Kalifa was independent on appointment as Chairman of the Company.

**The other Non-Executive Directors**
Of the Directors who held office during the year:
- Shayne Nelson and Suryanarayan Subramanian were nominated for appointment to the Board pursuant to the relationship agreement between the Company and ENBD; and
- Aaron Goldman and Daniel Zilberman were nominated for appointment to the Board pursuant to the relationship agreement between the Company and WP/GA.

Accordingly, they are not regarded by the Board as independent and steps have and will be taken to ensure that they do not participate or receive information in respect of any matter to which their conflict relates. As reported above, Shayne Nelson, Daniel Zilberman and Aaron Goldman have indicated their intention to step down from the Board at the forthcoming Annual General Meeting of the Company. Further, Suryanarayan Subramanian has informed that with effect from 1 January 2020, he no longer holds the position of the Group Chief Financial Officer of Emirates NBD Bank PJSC.

**Re-appointment of Directors**
In accordance with the Code and the Company's Articles of Association, every Director shall be subject to annual re-election by shareholders at each annual general meeting. The Notice convening the Annual General Meeting to be held on 30 April 2020 sets out, in respect of each director standing for re-election, the specific reasons why their contribution is, and continues to be, important to the Company's long term success.

**Board development and induction**
Prior to the IPO and throughout the period, the Board reviewed a series of development and strategy support presentations at each of its meetings. This series, together with ongoing business reviews, was designed to ensure that the new Directors gained a high level of knowledge about the Group so that all Directors could contribute to the Board's ongoing review and development of strategy.

At Board meetings and where appropriate, Committee meetings, the Directors receive updates and presentations on business developments. In addition to gaining a better understanding of those businesses, these programmes also increase the exposure of senior talent to the Board and also the Board presence across the Group.

An induction programme for newly appointed Directors has been developed in the period and this can be tailored to meet individual needs. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, strategy, operations and governance arrangements. Inductions will typically include meetings with members of the Network Leadership Team (Executive Management Team), and other senior management, both at Group and the operating divisions, where they receive a thorough briefing on the business. Individual induction requirements will be monitored by the Chairman, with the support of the Group Company Secretary, to ensure that newly appointed Directors gain sufficient knowledge about the Group to enable them to contribute to the Board's deliberations as swiftly as possible. It is expected that the induction process will evolve as the experience of inducting each new Director is built upon.

**New Director Induction**
A thorough induction programme was developed for Victoria Hull and Darren Pope, and for the new Directors Anil Dua and Ali Mazanderani, which in addition to information presented to the whole Board as described above, included extensive engagement meetings with many members of the management team in the areas of HR, Product, Technology, Operations, Audit, Risk, Strategy and Finance, and training sessions by the Company's legal advisors. These induction meetings were well received, not just by the Directors, but also by the members of the management team who gained first hand exposure to new members of the Board.

**Operation of the Board and its Committees**
The Board and its Committees each have a schedule so they can operate effectively, ensure comprehensive coverage of their responsibilities, and allow executive management to plan and resource their support work.

Prior to scheduled meetings, the Chairman (or Committee Chairman), with the support of the Group Company Secretary, liaises with the Executive Management Team to fine tune and finalise the agenda. The Chairman, CEO and Group Company Secretary, review the papers for the meeting and these are then circulated to the Directors one week prior to the meeting. The Directors have access to a fully encrypted electronic portal system, which allows them to receive and review papers quickly and securely on a tablet or PC. Scheduled Board meetings are held physically, mainly in Dubai but with some meetings in London. The Board intends to hold one meeting a year at one of its divisional offices on a rotational basis.

Prior to each Board meeting, the Chairman meets with the Independent Non-Executive Directors in the absence of the other Non-Executive Directors and the CEO.

# Corporate Governance Report
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The Group Company Secretary, who was appointed by the Board, acts as secretary to the Board and its Committees, and works with the Chairman and the Executive Management Team as described above to ensure there is a smooth flow of information and attends each meeting. The Group Company Secretary is also responsible for advising and supporting the Chairman, the Board and its Committees on Corporate Governance matters. All Directors have access to the advice and services of the Group Company Secretary, and through her, have access to independent professional advice in respect of their duties, at the Company's expense. Jaishree Razzaq has held the position of Group Company Secretary from 27 February 2019. Her biographical details can be found on page 77.

**Board Observer**
Under the Cornerstone Agreement signed by the Company with Mastercard at the time of the IPO, Mastercard is entitled to appoint an observer to the Company's Board for so long as Mastercard does not dispose of the shares acquired by it. The Observer may attend all board meetings and receive all board papers, but may not vote at board meetings. As per terms of the Cornerstone Agreement, the Observer is excluded for matters where a conflict arises or where the matter is considered to be commercially or legally sensitive. The first Observer is Mr Raghu Malhotra.

**Board meetings and attendance**
The Board and its Committees have regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. The table below shows the number of scheduled Board and Committee meetings attended by each Director out of the number convened between the IPO and 31 December 2019. Non-attendance at one Board meeting by Dr. Habib Al Mulla was due to an illness.

Each of the Directors has given a firm commitment to being able to give sufficient time to enable them to fulfil their duties, including attendance at meetings, in 2020.

**Individual Director attendance at scheduled meetings between the IPO and 31 December 2019**

| Name | Board | Audit & Risk Committee | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|
| **No. of meetings held** | **4** | **5** | **1** | **4** |
| Ron Kalifa | 4 | 5 | 1 | 4 |
| Simon Haslam | 4 | – | – | – |
| Darren Pope | 4 | 5 | 1 | 4 |
| Victoria Hull | 4 | 5 | 1 | 4 |
| Habib Al Mulla | 3 | – | 1 | 4 |
| Shayne Nelson | 4 | – | – | – |
| Suryanarayan Subramanian | 4 | – | – | – |
| Aaron Goldman | 4 | – | – | – |
| Daniel Zilberman | 4 | – | – | – |

**Board effectiveness evaluation**
As the new Board was brought together shortly before the IPO in April 2019, immediate steps were taken under the leadership of Ron Kalifa, Chairman, to develop the effectiveness of the Board and its Committees. This involved tailored induction and collective Board induction programmes as described in the section headed Board Development and Induction, above. The Board saw this as hugely beneficial and effective.

The Board recognises the benefit of a thorough evaluation process covering the Board, its Committees, the Chairman and individual Directors. However, the Board decided that rather than conduct an evaluation in 2019, effectiveness development work was being carried out, it would be best to conduct an evaluation of its effectiveness around the first anniversary of the IPO towards the middle of 2020. The non-executive Directors, under the leadership of the Senior Independent Director and with input from the Chief Executive Officer, will conduct an evaluation of the Chairman.

The output from the review of the Board and its Committees will be discussed by the Board and the relevant Committees and the actions arising, which will be monitored by the Chairman, will be summarised in the 2020 Annual Report and Accounts. The output from the evaluation of the other individual Directors will be discussed on a one to one basis with the Chairman; and in respect of the evaluation of the Chairman, the outputs will be discussed between the Senior Independent Director and the Chairman.

The Group's performance management system applies to management at all levels. The individual performance of the Chief Executive Officer is reviewed separately by the Chairman and by the Remuneration Committee. Further details of the Chief Executive Officer's performance measures and objectives and his achievement against them are disclosed in the Remuneration Report on pages 103 to 116.

**Management Committees**

- **Network Leadership Team**
  In addition to the members of the Board, the day-to-day management of the Company's operations is conducted by its senior management team called the Network Leadership Team which is made up of the key business heads of each function, and includes the Executive Management Team (please refer to pages 76 to 77 for details)

  The Network Leadership Team is chaired by the Group CEO - Simon Haslam, and convenes throughout the year based on a series of planned meetings. These include a weekly Sunday morning management meeting which focuses on opportunities, risks and challenges; a monthly management meeting to review business performance and a quarterly 3 day management meeting that goes beyond business performance, and includes specific agenda items like full day talent management reviews, presentation of business cases, staff engagement sessions and coaching and learning sessions for the NLT hosted by a business coach.

  The quarterly sessions are also rotated to take place in different countries where the Group has its offices.

  Some of the topics discussed and agreed at the Network Leadership Team meeting, many of which then subsequently came to the Board for approval in 2019 included:
  — KSA On-Soil Business Case
  — Separation from ENBD
  — 2020 budget submission
  — Employee Charter Launch
  — Employee Engagement Survey Results & Action Plans
  — Net Promoter Score – Results & Action Plans

- **Enterprise Risk Management Committee (earlier ORCC)**
  Operating an appropriate and effective risk management and internal control system is essential to achieving the Group's strategic objectives and maintaining service delivery targets. In December 2017, the Operational Risk and Compliance Committee (the 'ORCC') was established with the objective of managing and overseeing all aspects of operational risk, fraud risk, compliance, business continuity, and information security governance.

  With the creation of the Enterprise Risk Management Framework in 2019, the ORCC has been replaced by the Enterprise Risk Management Committee ('ERMC') and its mandate was updated to ensure coverage of financial risk and credit risk in addition to the role and responsibilities as described above. As with its predecessor committee, the ERMC provides an 'oversight' in general in setting the 'tone at the top'.

  The ORCC was responsible for ensuring all policies and control standards having relevance to these areas were effectively implemented, system and technology solutions to identify, report and monitor such risks were in place protecting the organisation's interests and promoting a high level operational risk and compliance management culture.

  The ORCC provided 'oversight' in general in setting the tone at the top and by a transparent role in the key elements of the internal control and risk management system (such as reviewing the risk appetite, risk strategy, and company culture, approval of risk and compliance frameworks, and overall risk policies). The ORCC held four meetings in 2019 (January, May, September and November). The ORCC discussed the key risk areas and based on the discussions, supported closure of multiple risks or control weakness; reviewed the risk appetite statements and risk tolerances; reviewed the implementation of risk and compliance culture initiatives; reviewed and approved the Information Security Strategy (including the cloud first strategy); reviewed the results of the Group's Enterprise Risk Management framework that was developed in 2019.

  The members of the ERMC are as follows: Chief Risk Officer and Group Company Secretary (Chairperson), Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Internal Auditor, Managing Director Middle East, Managing Director Africa, Chief Information Officer (Interim), Group Head of IT Operations, Group Head of Operations.

Board's perspective on Risk & Control is covered in the Principal Risks Section within the Strategic Report at page 52 and within the Audit & Risk Committee Report on page 90.

# Audit and Risk Committee Report
## Darren Pope

**Committee Chairman**
Darren Pope

**Other members**
Ron Kalifa (until 4 February 2020)
Victoria Hull
Anil Dua (from 4 February 2020)

**Number of meetings held in the period**
5

| | Meetings attended |
|---|---|
| **Darren Pope** (Chair) | |
| **Ron Kalifa** | |
| **Victoria Hull** | |

**Meetings also regularly attended by:**
- Simon Haslam, Chief Executive Officer
- Rohit Malhotra, Chief Financial Officer
- Jay Razzaq, Chief Risk Officer and Group Company Secretary
- Ian Cox, Chief Internal Auditor, with effect from the meeting held on 22 October 2019, being the first one after his appointment date.
- KPMG LLP

**Read Directors' biographies on pages 74 and 75**
The Board has satisfied itself that Darren Pope, Victoria Hull and Anil Dua have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates, as required by the Code.

"The Committee has focussed on the integrity of the financial statements, the development of our Enterprise Risk Management Framework, a review of Principal Risks determining our risk appetite, oversight of our compliance framework, assessing the output from Group Internal Audit, and monitoring our cyber and data security protocols."

Dear Shareholder

I am pleased to present the Board Audit & Risk Committee report for the year ended 31 December 2019. This report describes the work of the Audit and Risk Committee since the IPO in 2019 and also reports on how we have applied the principles and provisions of section 4 of the 2018 UK Corporate Governance Code ('the Code') relating to audit, risk and internal control. Management and the Committee have concentrated on enhancing the sound practices in place prior to the IPO to ensure that the Company meets the investor and stakeholder expectations of a UK listed company.

During the period, the Committee has focussed on:
- the integrity of the financial statements of the Company;
- the development of our Enterprise Risk Management Framework;
- a review of Principal Risks determining our risk appetite;
- oversight of our Compliance Framework;
- assessing the output from Group Internal Audit; and
- monitoring our cyber and data security protocols.

In the year ahead, we will continue to monitor progress in these important areas with a particular focus on further embedding of the Enterprise Risk Management Framework and monitoring the associated KRIs as evidence of effective risk culture across the Group.

During the year, we have also overseen the appointment of a new Chief Internal Auditor and have approved resource enhancements to the Group Internal Audit function. In addition, we have recommended the re-appointment of KPMG as external auditor following a thorough tender process and approved the Company's Tax Strategy & Policy.

**Darren Pope**
Chair, Audit and Risk Committee
8 March 2020

**Composition of the Committee**
The Audit & Risk Committee is comprised solely of Independent Non-Executive Directors. Darren Pope (Committee Chairman), Victoria Hull and Ron Kalifa were appointed to the Committee prior to the IPO. Darren Pope has recent and relevant financial experience for the purpose of the Code, having held several senior finance roles and chaired other plc audit committees. During 2019 as the independent board was being further developed, Ron Kalifa the Chairman of the Board, given his relevant experience and sector knowledge, was a member of the Committee. Anil Dua joined the Board on 22 January 2020, and the Audit & Risk Committee on 4th February 2020. On the same day Ron Kalifa stepped down as a member of the Committee, leaving the Committee membership consistent with the Code.

**Role of the Committee**
The Board has delegated to the Committee authority to:
- Establish and oversee the Company's relationship with its external auditor, including monitoring their independence, with oversight and approval of non-audit work, and approving the terms of their engagement and remuneration;
- Review and approve the annual external audit plan;
- Assess the effectiveness of the external audit process;
- Approve the internal audit plan, review internal audit reports (ensuring management actions are performed without delay), monitor and review the effectiveness of the Group's internal audit function;
- Monitor the integrity of the financial statements including a review of the significant accounting judgements and estimates contained in them;
- Review the content of the annual report and accounts and assess whether it is fair, balanced and understandable;
- Review the Group's risk profile, its principal risks and uncertainties and advise the Board in respect of risk appetite and the potential impacts on the Group;
- Review the Group's internal financial controls and the Group's internal control and risk management systems;
- Oversee the Group's compliance function and review reports from the Chief Risk Officer relating to compliance matters; and
- Oversee the tax policy and strategy, and the Group's tax function.

The Committee has a forward work programme to ensure it will meet its responsibilities in the current financial year. To enable it to carry out its duties effectively, the Committee relies on information and support from management across the business as well as a professional relationship with the external auditor. The full terms of reference of the Committee can be found on the Group's investor website at https://investors.networkinternational.ae/investors/corporate-governance/.

**Principal activities of the Committee during the period**
In the period from the IPO to the date of this report, the Committee reviewed the following:

**Financial**
- The areas of Finance department focus in 2019;
- The integrity of the 2019 half year and full year results (including a review of significant accounting judgements and estimates set out in comprehensive reports prepared by Group Finance) and the processes underpinning their preparation, verification and management sign offs;
- Information in support of statements in the annual report in respect of going concern, longer term viability, internal control, the report being fair balanced and understandable and disclosure of information to the auditor;
- The Q3 market update;
- Foreign Exchange Exposures;
- The implementation of the key actions arising from Financial Position & Prospects Procedures risk assessment prepared during the IPO process; and
- Tax compliance update and approval of the Tax strategy and policy.

The Committee reviewed the above, challenged management as appropriate and concluded that the appropriate financial reporting processes are in place and controls are operating effectively.

**External audit**
- The half year review and annual audit plans and scope;
- The half year review and full year audit reports;
- Reports on auditor independence – non-audit services and fees;
- The effectiveness of the external audit process; and
- Running a competitive external audit tender process for 2020 and beyond, resulting in the recommendation to re-appoint KPMG as the external auditor.

The Committee has reviewed the external audit process, its effectiveness as well as future plans and satisfied itself with the performance of external auditors and their independence. Furthermore, the audit tender process was conducted smoothly during year, in line with recommended best practices.

**Internal audit**
- The appointment and induction of a new Chief Internal Auditor;
- Approval of resource enhancements for Group Internal Audit;
- The internal audit plans for 2019 and 2020; and
- The reports from internal audit activity.

The Committee concluded that the Internal Audit Function was sufficiently resourced and skilled to operate effectively.

**Risk, controls and compliance**
- Revised Enterprise Risk Management Framework, risk appetite and risk culture;
- A robust review of the Principal risks;
- Assessment of the three lines of defence model;
- Review and approval of control assurance plan for the year 2020;
- Regular risk and compliance reports;
- Cyber and data security protections, including independent reviews by Protivity; and
- Review of conduct and whistleblowing incidents.

The Group's Risk Management Framework and Compliance monitoring activities were appropriately developed and materially effective in the assessment and escalation of material Group risks.

**Governance**
- Separate meetings with the Group Internal Auditor and the external auditor in the absence of management;
- External advisor training on financial reporting in a UK market context;
- Revision of the Financial Delegation of Authority; and
- Policy reviews and approvals.

The committee's activities were completed in accordance with its terms of reference, albeit the first review of external audit performance and Committee effectiveness would take place after the first year end process.

**Group Internal Audit**
Regular updates were received throughout the year from the Chief Risk Officer, and subsequently from the new Chief Internal Auditor. These included inputs on the overall control framework as well as a proposal to audit the control framework used in the creation of the debut Annual Report & Accounts.

The Internal Audit Function has been strengthened with the appointment (overseen by the Committee) of a highly experienced new Chief Internal Auditor in the second half of 2019. With the endorsement of the Committee, the Chief Internal Auditor will enhance the already strong core business operations skill set of the team with the recruitment of in-house technology, cyber and change capability, thereby reducing reliance on external resource. Group Internal Audit ('GIA') will work closely with the other assurance providers across the three lines of defence (e.g. Group Risk) to enhance coverage and minimise duplication.

The Chief Internal Auditor reports to the Audit and Risk Committee Chairman, and it is the role of the Audit and Risk Committee (as stated in its terms of reference) to assess the effectiveness of the Chief Internal Auditor and the GIA

# Audit and Risk Committee Report
continued

Function. A formal internal assessment of GIA against the Chartered Institute of Internal Auditors guidance of best practice will be conducted during 2020. The Chief Internal Auditor attends all meetings of the Audit and Risk Committee and meets separately with that Committee in the absence of management at least twice a year. The Chief Internal Auditor also has a secondary reporting line to the Chief Executive Officer and has a standing invite to, and attends, the Group's Leadership Team meetings.

The Committee continues to consider and assess the independence and effectiveness of the internal audit team.

**Group Risk and Group Compliance**
During 2019, the Committee monitored the implementation of the key actions identified during the Financial Position and Prospects Procedures risk assessment prepared by PwC during the IPO process and provided oversight and guidance in respect of the development and launch of the new Enterprise Risk Management Framework, and the expansion/strengthening of the Risk and Control functions. A key component of that work has been the further development of the enterprise level principal risks, risk appetite statements and Board level KRIs which are underpinned by existing policies, procedures and controls applicable to front line business activity. The Committee will continue to monitor the evolution of the Group's risk culture against measurable targets.

The Committee has also focused on the Compliance programme, monitoring progress against defined targets in each of the Group's markets of operations. The Chief Risk Officer is also the Group Company Secretary and reports to the Chief Executive Officer as well as having a clear reporting line into both the Chairman of the Board and the Chairman of the Committee. The Chief Risk Officer and Group Company Secretary attends all meetings of the Audit and Risk Committee and meets separately with that Committee in the absence of management at least twice a year.

### Risk appetite and approach to risk management

The Board's risk appetite, the Group's approach to risk management within its risk framework and emerging and principal risks were robustly reviewed in 2019 and are more fully described in the Principal Risks and Uncertainties section on pages 52 to 61.

### Risk management and internal control systems

Prior to the IPO, the Board carried out an enterprise-wide assessment of the principal risks of the business. During 2019, the risk culture across the organisation has been enhanced by the development and introduction of the new Enterprise Risk Management Framework, the approval of the Group's risk appetite and the review of mitigating actions in respect of the Group's principal risks. Monitoring and reviewing the Group's principal risks is conducted by management on an ongoing basis with oversight being conducted by the Enterprise Risk Management Committee and the Audit and Risk Committee. Management has launched a number of risk awareness initiatives with management teams, who have then cascaded the promotion of a risk management culture amongst all employees. This initiative is ongoing to ensure that an enhanced risk aware culture is firmly embedded throughout the organisation with every employee responsible for the management of risk. We intend to use Group Internal Audit to test the embedding process during 2020.

The Group operates the 'three lines of defence' model which clearly identifies accountabilities and responsibilities as follows:

- Business line management has primary responsibility for the management of risk;
- Risk and Compliance functions assist management in developing their approach to fulfil their responsibilities; and
- The Internal Audit Function checks that the risk management process and risk management framework are effective and efficient.

For more details, please refer to the Risk Section on pages 52 and 53.

The Committee oversees the activity of the GIA Function. GIA is responsible, amongst other things, for evaluating the effectiveness of the Group's risk management, control and governance processes. As mentioned on page 89 the Audit and Risk Committee and management supported the newly appointed Chief Internal Auditor to re-resource and enhance the skills of the GIA Function. This is expected to strengthen the quality and coverage of the third line of defence assurance work provided to the Group.

A risk-based internal audit plan is prepared by GIA on an annual basis. The internal audit plan, which is reviewed and approved by the Audit and Risk Committee, considers key risks and emerging strategic risks maintained in the risk registers. In addition, as part of the annual planning cycle, GIA consults with senior management across the business, considers the results of previous audits (internal and external) and monitors the implementation status of audit recommendations. This activity ensures that GIA focuses on the most significant risk areas and related key controls.

In approving this plan, the Committee concluded that the Internal Audit Function was sufficiently resourced and skilled to deliver the plan and the overall scope of the plan was appropriate given the key and emerging risks.

A formal audit report is issued to the Committee summarising key findings from internal audits undertaken; this includes an overall rating and clear actions to be undertaken by management to resolve identified control issues. GIA monitors management responses to audit recommendations and reports their findings to the Committee. GIA completed its annual audit plan for 2019 and reported that open audit issues were well controlled with very few being past their remediation target date.

### External auditor

Statutory Auditors and Third Country Auditors Regulations 2016 ('SATCAR'), requires that all Public Interest Entities must conduct a tender for selection and appointment of auditors, at least once every 10 years and rotate auditors after a maximum period of 20 years.

Based on the applicable regulations for a newly listed entity, if there has been no audit tender in the last 10 years, the entity needs to go through an audit tender process before the first re-appointment of the auditor post listing.

Since there had not been an audit tender in the last 10 years, it was imperative that post listing, the group ran a tender process to appoint the group auditor for 2020 and beyond. The Committee conducted a formal external audit tender process carried out in the autumn of 2019. A brief outline of the process undertaken with timelines is provided as follows:



| Invitation to tender | Request for proposal | Evaluation process | Conclusion |
|---|---|---|---|
| Management reached out to the selected audit firms and intimated them that the Company planned to issue a formal Request for Proposal and requested confirmation of the audit firms' willingness to participate in the tender process. | • The Company invited two audit firms – Ernst & Young ('EY') and Deloitte to tender for the audit of the Group, in addition to the incumbent auditors KPMG, who had indicated their wish to be re-appointed.<br>• PWC were not invited to participate, due to their conflict of interest as they were and still are involved in a number of non-audit engagements with the Group.<br>• Given the size, complexity and geographic spread of the business, it was decided to not invite non 'big four' firms to tender. Management circulated a request for proposal document ('RFP') to the firms on the above basis.<br>• The RFP document outlined the purpose of the audit tender, selection criteria and evaluation process (both on technical and commercial grounds). The key technical selection criteria included:<br>— Firm & relevant team's industry experience<br>— Audit experience with FTSE 250 companies<br>— Efficient project management capabilities & engagement model<br>— Use of data analytics tools<br>— Experience of firm's local office involvement in the Group audit in various Group locations<br>— Audit fees | • Initial questions and requests for further information were received from all the tendering audit firms. Each tender participant was provided the required information as necessary for them to submit their proposal<br>• Meetings were held between each tendering firm and the Group's Finance team. These meetings allowed the tendering firms to get a better understanding of the key requirements of the business.<br>• Deloitte decided to withdraw from the process because of the relatively short proposed timelines.<br>• Two of the intended participants EY, and KPMG, submitted their proposals.<br>• Written proposal documents were received, reviewed and evaluated based on the selection criteria given in the RFP document.<br>• The key members of Group finance team were asked to provide feedback following each meeting as input into the subsequent decision- making process. | • EY and KPMG teams were given the opportunity to make presentation to the Audit Tender Panel which consisted of the Chief Financial Officer, Group Chief Internal Auditor and Chair of the Audit & Risk Committee.<br>• Selection interviews were conducted. The participating firms delivered presentations with a follow up Q&A session.<br>• The Committee recommended appointing KPMG as the External Auditor, which was approved by the Board in December 2019. |
| **August 2019** | **September 2019** | **October 2019** | **November & December 2019** |

# Audit and Risk Committee Report
continued

The Committee considered the results of the tender process and recommendations of the Audit Tender Panel. Based on the information provided, the Committee endorsed the recommendation of the Audit Tender Panel to reappoint KPMG as the Group external auditor for a recommended period of 5 years starting from 2020 year-end audit, given KPMG's long tenure as the group's external auditor. The Committee would consider re-tendering to appoint the Group auditor, after the period of 5 years.

In reaching its decision, the Committee acknowledged that the KPMG UK team, which would be leading all future audits, would bring a new leadership team on the audit and would bring a fresh perspective as they have recent experience of auditing companies in the same industry as well as auditing UK listed companies while at the same time, leveraging upon the existing knowledge of the Group's business.

Based on the recommendations, the Audit & Risk Committee and the Board unanimously agreed to re-appoint KPMG as the Auditor for the Group, subject to approval of the shareholders at the 2020 AGM.

The Committee confirms that the Company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

## Non-audit services

A policy is in place which requires all non-audit work proposed to be carried out by the external auditor to be pre-authorised by the Chief Financial Officer and/or the Committee (depending on the amount involved) to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This policy is compliant with the FRC Ethical Standard 2016 and the auditor cannot be engaged in respect of services prohibited by that standard. In addition, following the Company's listing on the London Stock Exchange and entry into the FTSE 350, the Company is now subject to KPMG's FTSE 350 non-audit services policy which prohibits the provision of non-audit services other than those that are closely related to the audit. This policy is more restrictive than the existing FRC Ethical Standard 2016, and means the Company is well prepared for the recently issued revised FRC Ethical Standard that becomes effective in March 2020.

The total fees payable to Group's auditor amounted to GBP 1.5 million, out of which fees for non-audit services is GBP 0.8 million.

Fee for non-audit services includes GBP 0.7 M in connection with work they have done in relation to Company's IPO in April 2019, which included audit of the Group's historic financial information and the issue of various comfort letters as per regulatory requirements. KPMG was determined to be the appropriate advisor to provide these services, given the scale and complexity of the work involved. This work did not impair KPMG's independence as it was permissible work under auditor independence guidelines. The fees payable to KPMG in relation to IPO related activities will not recur in 2020.

KPMG also provided some tax advisory and regulatory compliance related services for Group's subsidiaries in South Africa and Singapore during the year for which the engagement was finalised before the listing. Given the materiality of these engagements to overall audit engagement, the provision of these non-audit services does not impair KPMG's independence.

## Independence

Both the Board and the external auditors, KPMG, have safeguards in place to protect the objectivity of the external auditors. KPMG have confirmed their independence as auditor of the Company in a letter addressed to the Directors.

## Significant issues considered by the Audit and Risk Committee in relation to the financial statements.

The key areas of judgement considered, and key conclusions and actions taken by the Committee during the year, which ensure that appropriate rigour has been applied to the 2019 Annual Report and Accounts, are detailed as follows:

| Key Issue/Area of Focus | Brief Description | Committee Review and Conclusion |
|---|---|---|
| **Accounting, tax and financial reporting** | To review and challenge the appropriateness of the contents of the Group's financial statements, Annual Report and Accounts, preliminary results announcement, interim results announcement, and other trading announcements and investor presentations. | The Committee reviewed the process for the production of the reports under the remit of the Chief Financial Officer, and the level of involvement of cross-functional subject matter experts, including monitoring the procedures in place to ensure that all contributors attested to the completeness, accuracy and appropriateness of the disclosures provided. The Committee concluded that the process followed was adequate and in line with industry best practices. |
| **Impact of applicable new accounting standards and interpretations** | To review and monitor the implementation of IFRS 15 related to Revenue Recognition | The Group applied IFRS 15 effective from 1 January 2018 and continues to apply the same for financial year ended 31 December 2019 on a consistent basis. The Group recognises the revenue in both business line (i.e. Merchant solutions and Issuer solutions) using a five step framework as below:<br>1. Identify the Contract with merchants and other institutions clients having substance – which is legally enforceable, is duly approved by the parties with their commitment to obligations, rights to goods or services and payments terms are identified and recoverability of consideration is probable.<br>2. Identify performance obligation related to the delivery of the goods or services.<br>3. Determine transaction price in exchange for transferring goods or services to a customer excluding amounts collected on behalf of third parties e.g. sales tax.<br>4. Allocation of the transaction price to each performance obligation.<br>5. Recognition of revenue when the Group satisfies a performance obligation.<br><br>• The Group recognises the revenue using the following two approaches:<br>• The Group recognises revenue over time if it can reasonably measure its progress towards completion of performance obligation.<br>• If a performance obligation is not satisfied over time, then the Group recognises revenue at the point in time at which it transfers controls of the good or service to the customer.<br><br>Based on the updates provided, the Committee concluded that revenue recognition practices are appropriate and meet the requirements of IFRS framework. |

# Audit and Risk Committee Report
continued

| Key Issue/Area of Focus | Brief Description | Committee Review and Conclusion |
|---|---|---|
| **Impact of applicable new accounting standards and interpretations** continued | To review the impact of new accounting standards on the consolidated financial statements | The Committee reviewed the update presented by the Chief Financial Officer on the amendments and interpretations applicable for the first time in 2019.<br><br>The Committee noted the updates and concluded that these changes do not have any significant impact on the consolidated financial statements. |
| **Accounting policies and practices and estimates** | To review and challenge appropriateness of the Group's accounting estimates and judgements | The Committee reviewed the detailed update provided by the Chief Financial Officer on accounting estimates and judgements used in preparation of the consolidated financial statements and disclosures made to this effect. Other than those separately discussed in the report, these accounting estimates and judgements relate to the following items:<br>• Revenue Recognition<br>• Impairment of loans and receivables<br>• Employee benefits<br>• Useful life of tangible and intangible assets<br><br>Being the first financial year-end as a publicly listed company, management has made required changes in consolidated financial statements to ensure that these are compliant with the IFRS as adopted by EU, UK industry practices and FRC guidelines and thematic reviews on this subject.<br><br>The Committee discussed each item presented in the update provided and concluded that accounting estimates and judgements are appropriate and that sufficient disclosures have been made in the consolidated financial statements for these items. |
| **Accounting policies and practices and estimates** | To review and challenge alternative performance measures ('APM') used by the management in measuring financial performance | **Reporting of Specially Disclosed Items**<br>While computing the alternative performance measures ('APM'), management treats certain items of income or expenses that have been recognised in a given period as Specially Disclosed Items ('SDIs'), which management believes, due to their materiality and being one-off/exceptional in nature, should be disclosed separately, to give a more comparable view of the period to period underlying financial performance.<br><br>The Committee continues to monitors the items included in SDIs to ensure these items qualify for the SDIs classification. |

| Key Issue/Area of Focus | Brief Description | Committee Review and Conclusion |
|---|---|---|
| **Accounting policies and practices and estimates** continued | | During the year, management continued to review and analyse each item in the SDIs, to ensure these costs are non-operational in nature, material in size and unlikely to recur and therefore, qualifies for the SDIs classification. As part of the ongoing review, management analysed the below items and presented the analysis to the Committee:<br>— Amortisation related to IT Transformation<br>— Amortisation of debt issuance costs<br><br>**Amortisation related to IT Transformation**<br>Includes amortisation of capitalised costs associated with the significant one-off IT Transformation Programme that the Group has undertaken over the last few years.<br><br>The technology transformation programme and all the customer migrations to the new platforms have now been completed in 2019. Particular attention to the spend incurred on the IT transformation programme was given during 2019. The Committee concluded that spend was truly one-off in nature as the scale and complexity of the change and the resultant migrations of the customers and modernity of the new system meant that it is not expected to be incurred again for a considerable period of time.<br><br>Further, the Committee agreed with management that all future spends on maintenance and upgrade programmes to the transformed systems would not be treated as SDI.<br><br>Based on the above rationale and management assessment, the Committee were satisfied to include the amortisation on IT transformation as SDIs.<br><br>**Amortisation of debt issuance costs**<br>Management proposed to the Committee to exclude amortisation of debt issuance costs from the SDIs and included in the underlying performance of the Group to align the Group's reporting with best in class reporting practices. The Committee was satisfied with management's proposal and post consultation with the Group's external auditor approved the exclusion of amortisation of debt issuance cost from SDIs effective from the interim financial statement for the six months ended 30 June 2019. The comparatives have also been adjusted, to enable like for like comparison. |

# Audit and Risk Committee Report
continued

| Key Issue/Area of Focus | Brief Description | Committee Review and Conclusion |
|---|---|---|
| **Accounting policies and practices and estimates** | To review and challenge the alternative performance measures ('APM') used by Management in measuring financial performance | **Underlying Free Cash Flow**<br>Management has historically used underlying free cash flow (underlying FCF) as an Alternative Performance Measures (APM) to measure the net cash flow conversion capability of the Group. The underlying free cash flow has been computed without deducting IT Transformation and Growth Capex from the underlying EBITDA.<br><br>In line with the best practices, management proposed to the Committee to deduct Growth CAPEX also from underlying EBITDA to arrive at underlying FCF as management believes that deducting growth capex from underlying EBITDA to arrive at underlying FCF figure would give more appropriate presentation of cash flow conversion capability of the Group.<br><br>IT Transformation Capex is not being deducted from underlying EBITDA to arrive at underlying FCF as this is one time in nature and the programme has been completed in 2019.<br><br>Based on the above, the Committee agreed with management proposal and concluded that it is appropriate to change the definition of underlying cash flow to be reported in 31 December 2019 financial statements. |
| **Accounting policies and practices and estimates** | To review and challenge the impairment analysis on intangibles assets done by the management | As part of the yearly reporting and closing exercise, management has conducted and presented to the Committee, a detailed assessment on potential impairment of the Business Transformation platform and Goodwill carried in the books as at 31 December 2019. Goodwill impairment assessment was done based on market value approach. To provide further comfort to the Committee, management also conducted the impairment assessment of Goodwill based on discounted cash flows to estimate the value in use.<br><br>The Committee reviewed and challenged management assessment and concluded that;<br>— There is no indication of any impairment in the carrying value of these assets; and<br>— The Goodwill is not required to be impaired |
| **Accounting policies and practices and estimates** | To review and challenge Group's investment in Mercury to be shown as "assets held for sale " in consolidated financial statement for 2019 | Mercury operates the "Mercury" payment scheme in UAE which is a domestic payment card network.<br><br>In 2018 the Group's Board made a strategic decision to divest the scheme operation of the group and accordingly classified Mercury as 'held for sale' under applicable IFRS, as adopted by EU.<br><br>During the year, management conducted a detailed assessment to confirm whether Mercury still qualifies for the extension for the classification as "held for sale" for the consolidated financial statement for 2019.<br><br>The Committee reviewed the management assessment and agreed with the extended classification of Mercury as held for sale as the delay in sale was caused by circumstances beyond management's control and the Group remains committed to conclude the sale in 2020. |



| Key Issue/Area of Focus | Brief Description | Committee Review and Conclusion |
|---|---|---|
| **Segment reporting disclosures** | To review and challenge adequacy of segmental reporting disclosures made in the consolidated financial statements | As part of the 2018 Audited Financial Statements and the three year Historical Financial Statements (included in the Prospectus), management presented a detailed set of disclosures around business segments by geography as well as narrative disclosures on the revenue by countries and region.<br><br>During the year, management has continued to monitor the relevance of the operating segments that the Group reports for disclosure requirements of IFRS 8 and proposed to continue with the same disclosures as the business is managed and performance is monitored by the Chief Operating Decision Maker (Network Leadership Team) and the Board on a geographical basis.<br><br>The Committee reviewed the management proposal and concluded that, the current segmental reporting disclosures are appropriate. |
| **Reporting and disclosures** | FRC publications related to Thematic reviews of reporting and disclosures in the annual report & accounts ('ARA') | The Chief Financial Officer provided an update on management's review of the recent documents published by the FRC related to key topics on reporting and disclosures in ARA of listed companies, its impact on Group Financial Statements and proposed actions.<br><br>The Committee reviewed the update and concluded that appropriate actions have been taken by management to make the required changes by incorporating the Committee feedback and map the reporting and disclosures in ARA to FRC recommendations. |

**Board statements and confirmations following review and recommendation from the Audit and Risk Committee**

**Internal control and risk management in relation to the financial reporting process**

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of financial reports. This process includes:

- the involvement of highly experienced and professional employees, supported by professional advisors where appropriate;
- formal sign off from business unit managing directors and finance directors;
- comprehensive review by key internal Group functions;
- a transparent process to ensure full disclosure of information to the external auditor;
- engagement of a professional and experienced firm of external auditors;
- review and challenge by executive management; and
- oversight by the Audit and Risk Committee, involving (among other duties):
  - A detailed review of key financial reporting judgements which have been discussed by management, including the level and clarity of the disclosures around Alternative Performance Measures ('APMs'), Specially Disclosed Items ('SDIs') and Segment Reporting;
  - Review and where appropriate, challenge on matters including:
    - The consistency of, and any changes to, significant accounting policies and practices during the year;
    - Significant adjustments resulting from the external audit;
    - Unadjusted differences;
  - The going concern assumption;
  - The viability statement;
  - The Company's statement on risk management and internal control systems; and
  - GIA review of the Annual Report & Accounts verification process and control.

**Review of the effectiveness of the risk management and internal control systems**

Detailed information in respect of the risk management systems are included in the Risk report on page 90.

During the period since the IPO, the Board, through the work of the Committee, has conducted a review of the effectiveness of the Group's system of risk management and internal control in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. There is an on-going process for the identification and evaluation of risk management and internal control processes. Group Internal Audit, Risk and Finance have independently assessed the overall risk and control framework to be effective for the existing business, which has matured significantly during 2019 with continued planned improvements during 2020. The work conducted by management is complemented, supported and challenged by the controls assurance work carried out independently by the external assurance providers, and the Group Internal Audit function. Regular reports on control issues are presented to the Audit and Risk Committee by the Chief Internal Auditor. The Board, in reviewing the effectiveness of the system of risk management and internal control, can confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.

# Audit and Risk Committee Report
continued

### Fair balanced and understandable

The Directors confirm that they consider the annual report and accounts, taken as a whole,

- is fair balanced and understandable; and
- provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

In making this confirmation, the Directors took into account their knowledge of the business, which is kept up to date with regular reports, updates and business reviews circulated prior to and discussed at each Board meeting, and supplemented by a variety of written reports, verbal updates and presentations given at Board and Committee meetings as well as a regular flow of information about the business between meetings. The Directors then took into account the thorough preparation and verification process in respect of the annual report and accounts, which included:

i. cross-functional support to drafting the 2019 Annual Report and Accounts, which included input from Finance, Risk and Legal, Investor Relations, HR and the wider business; a robust review process of inputs into the 2019 Annual Report and Accounts by all contributors to ensure disclosures were balanced, accurate and verified
ii. Attestation from the senior management that they have reviewed relevant sections of the ARA and the disclosures were fair, balanced and understandable.
iii. a review by the Group Company Secretary of all Board and Committee minutes to ensure all significant matters discussed at meetings were appropriately disclosed in the 2019 Annual Report and Accounts as required;
iv. a formal review by KPMG, external auditors;
v. a formal review by the Audit & Risk Committee of the draft 2019 Annual Report and Accounts in advance of final sign-off;
vi. a final review by the Board of Directors.

After careful review and consideration of all relevant information, including KPMG review and principal risks, the Directors were satisfied that, taken as a whole, the 2019 Annual Report and Accounts is fair, balanced and understandable and has affirmed that view to the Board.

### Going concern

The Board's statement in respect of adopting the going concern basis of accounting is given on page 136 and in Note 2 to the financial statements on page 154. The Committee reviewed and challenged the going concern assessment undertaken by the management, including assessments of the Group's liquidity and funding position, and confirmed to the Board that it is appropriate for the Group's financial statements to be prepared on a going concern basis.

### Viability

The Board's statement in respect of the Group's longer-term viability is given on page 136.

The Committee reviewed and challenged the viability assessment (including the three-year time horizon selected) undertaken by management in the 2019 Annual Report and Accounts. The Committee considered the process to support the viability statement in conjunction with an assessment of principal risks, strategy and business model disclosures, taking into account the assessment done by the management of stress testing results and risk appetite. The Committee recommended the Viability Statement (as set out on pages 136) to the Board for approval.



# Nomination Committee Report
## Ron Kalifa OBE

**Committee Chairman**
Ron Kalifa

**Other members**
Victoria Hull
Darren Pope
Habib Al Mulla

**Number of meetings held in the period**
1

| | Meetings attended |
|---|---|
| **Ron Kalifa** (Chair) | |
| **Victoria Hull** | |
| **Darren Pope** | |
| **Habib Al Mulla** | |

**Meetings also regularly attended by:**
- Jay Razzaq, Chief Risk Officer and Group Company Secretary

**Read Directors' biographies on pages 74 and 75**

"We have a strong and balanced Board and our Directors possess a vital breadth of skills, experience and knowledge."

Dear Shareholder,

I am pleased that with the recent appointment of Anil Dua and Ali Mazanderani, we have a strong and balanced Board; and our Directors possess a vital breadth of skills, experience and knowledge for a fast developing business. The Board and its Committees continue to build on the significant progress achieved since the IPO as described throughout this Annual Report. Since the IPO, the Nomination Committee has focussed on reviewing our requirements based on our strategic goals, and have conducted a search and appointed very well qualified individuals to join the Board.

Whilst we have a diverse Board against a range of measures, we recognise that we fall short of investor expectations in respect of gender diversity. We appoint on merit in line with our Board Appointments Policy (see below), but we will continue our efforts when considering additional or replacement Directors in the future without compromising on the high standard we set ourselves.

In the current year, the focus of the Committee will be on senior succession planning and building the Board's engagement with the pipeline of talent amongst the Executive Management Team – where we have a solid record on diversity and inclusion within the senior management team and their direct reports. We will also oversee our first Board effectiveness review, which will be conducted in the forthcoming year.

**Ron Kalifa OBE**
Chairman and Chair of the Nomination Committee
8 March 2020

**Composition of the Committee**
Ron Kalifa (Board Chairman and Chairman of the Committee) and Independent Non-Executive Directors Victoria Hull, Darren Pope and Habib Al Mulla were members of the Committee throughout the period.

**Role of the Committee**
The Board has delegated to the Committee authority to:
- Review the size and structure of the Board, to consider succession planning for Directors and the Executive Management Team and to lead the process for the appointment of new Directors;
- Ensure there is clarity in respect of the role description and capabilities required for such appointments;
- Conduct a review of the skills, experience, knowledge and diversity of the Directors and lead on the annual evaluation of the effectiveness of the Board, its Committees and individual Directors (the evaluation of the Chairman to be led by the Senior Independent Director);
- In the light of the above, consider the re-election of each Director in advance of each AGM;
- Review the membership and Chairmanships of each of the Board's Committees;
- Approve and actively monitor the Company-wide policy on diversity and inclusion, including gender, ethnicity, social background, cognitive and personals strengths, sector experience and professional background, and review against the strategic priorities and the main trends and factors affecting the long-term success of the Company;
- Review and monitor the pipeline of talent below Board level;
- Review as and when required, the Directors' potential conflicts of interest; and
- Make recommendations to the Board on all the above matters as appropriate.

**Principal activities of the Committee during the period**
In the period from the IPO to the date of this report, the Committee carried out the following:
- Conducted a thorough process (described below) to identify and appoint additional Non-Executive Directors, which resulted in the appointment of Anil Dua and Ali Mazanderani to the Board on 22 January 2020;
- Considered the independence, effectiveness and time commitment of the Directors before reviewing the proposed re-election of the Directors at the 2020 AGM; and
- Upon the appointment of additional Independent Non-Executive Directors, conducted a review of the memberships of the Board's Committees.

In 2020, the Committee will also:
- Provide oversight of the arrangements and process for the first annual evaluation of the Board, Committees and individual Directors (other than the Chairman whose evaluation will be led by the Senior Independent Director), which will be conducted in the second quarter of 2020;
- Review the Group's policies on diversity and inclusion* and monitor its implementation and progress against objectives;
- Review succession planning and the pipeline of talent for the Executive Management Team, taking account of the challenges and opportunities facing the Company, the gender balance of those senior populations* and future leadership requirements;
- Review a programme of ongoing engagement meetings between the Chairman, independent NEDs and high potential talent across the Group;
- Approve the Committee's forward work programme, including a review of the group's policy on diversity and inclusion; and
- Review the Committee's activities measured against its terms of reference.

For more information on the Company's diversity and inclusion philosophy, please refer to the Responsible Business section of the Strategic Report on pages 62 to 69.

**Board appointments process**
As described within the section on Board and Committee Membership and Diversity on page 83, ENBD and WP/GA each reduced their share interest below the level that entitled them to nominate for appointment non-executive Directors to the Board. Upon the reduction in shareholdings the Company had the right under the respective Relationship Agreements to procure the resignation of such appointed Directors from the Board. However, the Company decided not to exercise such right immediately on the grounds that until the appointment of additional independent Directors, the skills, knowledge and experience of Shayne Nelson, Aaron Goldman and Daniel Zilberman and the contribution that each makes to the deliberations of the Board and the Company's long-term sustainable success would continue to be of benefit to the Company.

The Committee conducted a thorough process to identify and appoint additional Independent Non-Executive Directors. As part of that process the Committee:
- Reviewed the Code requirements, investor expectations and the Board's objectives in relation to board composition, including independence and diversity;
- Reviewed the skills, experience and knowledge of the continuing individual Directors and the Board collectively and conducted a gap analysis by mapping the results against the strategic priorities and main trends affecting the long-term success of the Company;
- Reviewed and agreed the experiential requirements of additional Directors and considered and agreed the attributes that would be desirable to ensure best fit with the culture of the Board and the organisation; and
- Considered the timing of Board composition changes to balance Code compliance, investor expectations and the reduction in holdings of major shareholders with ongoing support and continuity provided by the experienced outgoing Directors.

Having conducted the above review, the Committee considered the approach to be taken to identify a range of high calibre candidates for the role of Independent Non-Executive Director and agreed to appoint the international search and selection firm Egon Zehnder to support them in their search. The Committee provided Egon Zehnder with a comprehensive brief based on the above review process and that included a detailed assessment of the skills and experience required, under the headings: Board/Non-Executive Director experience, sector, business environment and personal traits. These skills and experience requirements were also ranked by the Committee as one of essential, preferred or acceptable so as to allow the calibration of each candidate against the preferred requirements. Egon Zehnder conducted a comprehensive search and produced a diverse shortlist of 12 candidates. The final selection process, which involved interviews with the Chairman and separately the other members of the Committee, included two women candidates.

As a result of this process Anil Dua and Ali Mazanderani were appointed to the Board on 22 January 2020 and Shayne Nelson, Aaron Goldman and Daniel Zilberman will continue to serve on the Board until the AGM to be held on 30 April 2020.

The Committee agreed that the process followed was thorough and rigorous, and that calibre of candidates identified by Egon Zehnder and placed on the shortlist was very high. Anil Dua and Ali Mazanderani were selected and recommended for appointment to the Board because they met in full the Committee's requirements with their significant expertise in the Company's sector and markets, which will support the Group's strategy. In particular, Ali Mazanderani has an extensive background in the global payments industry and Anil Dua's financial services experience has been focussed on the African continent.

Egon Zehnder do not have any other connection with the Company or individual Directors.

**Board Appointments Policy**
Appointments to the Board are made on merit against objective criteria, including consideration of the strategic priorities and main trends affecting the long-term success of the Company, and with due regard for the benefits of diversity on the Board. This process is led by the Committee, which evaluates the skills experience and knowledge of the Directors and identifies the requirements of additional Directors before making recommendations to the Board. The Board Appointments Policy recognises the benefits of diversity including gender diversity and reinforces the Board's principle that appointments are made on merit, in line with current and future requirements and reflect the UK listing, its UAE base and international activity of the Group. Appointments to date have been in line with that policy.

The Board endorse the aims of the Hampton-Alexander Review entitled 'FTSE Women Leaders – Improving gender balance in FTSE Leadership' and aims to improve the gender diversity of the Board over time. A copy of the Company's Board Appointments Policy can be found on the Group's investor website at https://investors.networkinternational.ae/investors/corporate-governance/

* The Company's approach to diversity and inclusion, and statistics in respect of our gender diversity are disclosed in the People section on pages 62 and 63.

# Directors' Remuneration Report
## Victoria Hull

**Chair of the Remuneration Committee**
Victoria Hull

**Committee Members and Attendance**

| | Meetings attended |
|---|---|
| **Victoria Hull** (Chair) | |
| **Habib Al Mulla** | |
| **Ron Kalifa** | |
| **Darren Pope** | |

**REPORT STRUCTURE**
In addition to this statement, the report consists of three sections:

**SECTION 1: REMUNERATION OVERVIEW – pages 105 to 109**
Remuneration in context, key changes to the Directors' Remuneration Policy since IPO and a summary of its implementation in 2020 subject to its approval.

**SECTION 2: ANNUAL REPORT ON REMUNERATION – pages 110 to 119**
Remuneration received by the Executive and Non-Executive Directors in the financial year ending 31 December 2019, and how the Directors' Remuneration Policy will be implemented in 2020.

**SECTION 3: DIRECTORS' REMUNERATION POLICY – pages 120 to 129**
Following our IPO on 10 April 2019, the first three-year Directors' Remuneration Policy to be put to shareholders for approval at the 2020 AGM.

Dear Shareholder,

I am pleased to introduce the first Directors' Remuneration Report since our successful IPO on 10 April 2019. This report is presented in three sections: 1) Remuneration Overview; 2) the Annual Report on Remuneration; and 3) the Directors' Remuneration Policy ('Policy'). At the AGM on 30 April 2020, shareholders are invited to cast an advisory vote on the report, and a binding vote on the Policy which is intended to remain in place for three years following the date of approval.

The initial framework for executive pay was disclosed in the Company's IPO prospectus. As part of its review, the Remuneration Committee ('Committee') deliberated on how to set an executive pay framework with which to motivate and retain key talent to deliver the Company's challenging growth strategy and drive shareholder returns, whilst ensuring pay levels were not excessive and complying with the 2018 UK Corporate Governance Code ('Code').

The full Policy is described on pages 120 to 129. The key differences between the FY19 policy set out in the Company's IPO prospectus and the FY20 proposed Policy are:

1. A retirement benefit that is aligned with the UAE legislative context for potential new hires;
2. Inclusion of a policy in respect of fixed salary increases for Executive Directors to align with those awarded to the workforce, unless exceptional circumstances apply;
3. Introduction of a shareholding requirement of 300% of fixed salary and a post-cessation of employment shareholding policy for two years;
4. Converting a portion of the Executive Directors' pre-IPO cash awards, into shares at prevailing market price, equivalent to a minimum of 200% of fixed salary, to provide immediate alignment between Executive Directors and shareholders. The shares would be subject to a holding period and subject to continued employment to October 2021, as per the original terms of the accelerated cash payments;
5. Discretion under the Company's Long-Term Incentive Plan ('LTIP') to grant awards of up to 200% of fixed salary (up from a previous limit of 150% of fixed salary). The introduction of a kicker element provides discretion to enhance vesting levels of the LTIP awards by up to 50% (up to an individual limit of 300% of fixed salary) for achieving additional stretching performance targets. In exceptional circumstances, such as for the purposes of recruitment, the award may be up to 300% of fixed salary. The exceptional award of 300% and the kicker element will not be both awarded to the same Executive Director in a single award;
6. Provision for the Company to reimburse the Executive Directors for any potential UK income tax in respect of board duties necessarily performed in the UK by the Executive Directors; and
7. An expansion of the circumstances which can trigger clawback/malus, specifically including corporate failure.

The Committee believes that the proposed changes represent a balanced reassessment of the remuneration approach which was implemented before the IPO, and are intended to incentivise management to continue to drive growth and create additional significant shareholder value.

**Business performance context**
During the months following the IPO, shareholders have benefited from clear value creation with a share price growth of 47% from the IPO offer price through to 31 December 2019, reflecting strong business performance. We have achieved 12.4% revenue growth, 13.3% underlying EBITDA[1] growth and 26.3% growth in profit from continuing operations, thus delivering on our financial targets set out at the time of the IPO. Strategically, we are particularly pleased with the successful migration of our customers to our new technology platforms. Our multiple customer wins and our commercial agreement with Mastercard are significant achievements paving the way to securing ongoing growth. We are also pleased to report a 13-point improvement in our 2019 engagement survey. We could not be successful without the hard work and dedication of our talented people, at all levels of the organisation. It is important to ensure that all our people are rewarded fairly and share an interest in the success of the Group. With this is mind, we have strengthened the participation of our workforce in the performance of the business through a one-time award of shares post-IPO.

As described later in this report, the payment under the 2019 Annual Deferred Bonus Plan ('ADBP') reflects our results and the Committee's commitment to incentivise management adequately to retain a highly talented team capable of sustaining strong levels of performance and shareholder returns over the longer term.

**FY19 CEO single figure remuneration and incentives**
The charts below illustrate the FY19 figures detailed in the single figure table on page 110, and the FY19 annual bonus payout as a percentage of the maximum that could have been paid.

The CEO was eligible for the award of an annual bonus of up to 200% of fixed salary under the ADBP. The delivery of our revenue and EBITDA growth KPIs at target combined with strong achievements of certain of the CEO's strategic objectives have resulted in an annual bonus payout level of 57.5% of maximum (115% of fixed salary), with the portion over 100% of fixed salary deferred in a share award under the ADBP with a holding period of three years. Full details of the annual bonus KPIs and performance assessment are presented on pages 111 to 112 of this report. The annual bonus performance conditions were focused on top line financial metrics to drive post-IPO growth and provide alignment with investor expectations.

An award under the LTIP, equal to 150% of fixed salary, was granted to the CEO in May 2019, shortly after the IPO, in the form of a conditional share award which will vest in 2022 subject to the Committee's satisfaction that the performance conditions for the period to 31 December 2021 have been met. The vested shares will be subject to a two-year holding period.

The CEO single figure remuneration chart below also includes the awards made under the two pre-IPO incentive arrangements: i) the Management Incentive Award Plan ('MIP'); and ii) the IPO Cash Bonus. The Committee intends to honour the outstanding commitment levels made in line with its policies prior to the IPO. Further details of those payments are provided on page 114 of this report.

The Committee is satisfied that the incentive awards made to the CEO during FY19 are appropriate in the context of the business performance, retention and motivation. No discretion was applied by the Committee in determining the payouts under the awards.

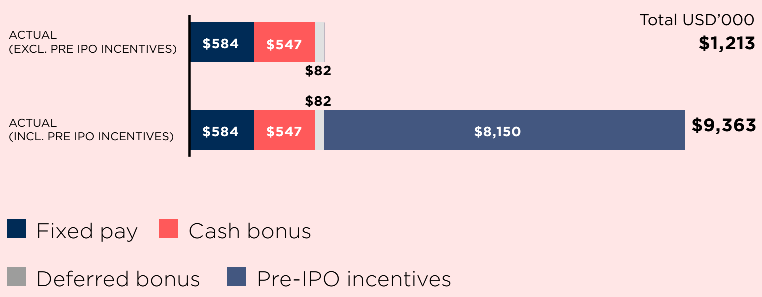
**FY20 Directors' pay arrangement**
The fixed salary level for the CEO was not adjusted on IPO. This has enabled the Committee to consider an appropriate increase in 2020 reflective of: i) the evolution of the role and responsibility of the CEO in the newly listed environment; ii) strong individual performance in the role since IPO; iii) the range of salary increases to employees, which may be above the 3% average under our established salary review process; iv) benchmarks and retention challenges in the FinTech sector; and v) other reference points such as the CEO pay ratio and gender pay gap. In consideration of those factors, the Committee determined that a salary increase of 5% was justified.

The Committee and the Board have reviewed the fee levels for the Chair and the Non-Executive Directors ('NEDs'). The Committee concluded that no increase should be applied to the NEDs fee levels this year as they remain competitive.

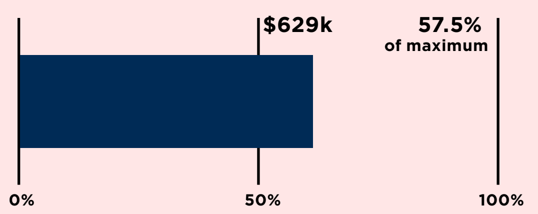
The performance assessment under the ADBP remains unchanged from FY19 and will continue to be based on a balanced scorecard of financial metrics (75%) and non-financial metrics (25%). The Committee is not proposing to amend the financial performance weightings of revenue (45%) and EBITDA (30%), but has reviewed the strategic scorecard to support the development of the business as a publicly listed company, and drive sustainable growth. The maximum opportunity under the ADBP will be unchanged at 200% of fixed salary.

The Committee wishes to ensure the remuneration framework continues to drive the delivery of our growth strategy as well as long-term returns to shareholders, whilst rewarding management for exceptional value creation. To this end, it is proposed that the 2020 LTIP award to be granted to the CEO will consist of two elements: i) an award of up to 200% of fixed salary conditional on the achievement of stretching EPS (50%), revenue (25%) and relative TSR (25%) performance metrics, consistent with the 2019 LTIP award; ii) a kicker which can enhance the vesting level by 50% of the award (to an individual limit of 300% of fixed salary). The kicker will have separate performance conditions (which will be over and above those applicable to the LTIP award) and will only be payable if

**FY19 CEO Single Figure Remuneration**




**FY19 CEO Annual Bonus (ADBP)**




1. This is an Alternative Performance Measure (APM). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.

# Directors' Remuneration Report
continued

the LTIP award vests in full. This means that if our corporate KPIs are delivered in full, and exceptional returns are created for shareholders (share price growth and dividends) above a pre-determined threshold, then the maximum 2020 LTIP award that can vest is 300% of fixed salary. The Committee will also apply an underpin to the award vesting such that it is satisfied that the Company's Return on Capital Employed ('ROCE') is at an appropriate level to ensure the effective deployment of capital and the quality of its earnings growth. This will be in addition to the Committee's overarching discretion, in line with corporate governance best practice, to adjust incentive outcomes to reflect overall corporate performance and shareholder experience.

At the time of preparing the Company's annual report and accounts, the performance targets for the 2020 LTIP award and the kicker are not finalised; they will be announced prior to the AGM on 30 April 2020 by release of a regulatory news service ('RNS').

**Other considerations by the Committee**
To involve the wider workforce in the success of the Company, the Committee approved a one-time IPO award of shares for employees who were employed by the Company at the time of the IPO. The value awarded was the greater of one month's salary or 250 shares, and the award was subject to a lock-in period of 18 months following the award date. The share award gives employees an opportunity to participate in the success of the IPO with a clear link to the newly listed status of the Company, allows the Company to motivate and retain employees through the use of a holding period and anticipated share price growth, and builds a bridge with a potential future all-employee share plan. The Committee also awarded FY19 LTIP grants of 100% of fixed salary to selected Executive Management Team with the same structure as the LTIP award for the CEO, except that 40% of their shares are subject to a holding period over two years.

The Committee understands the importance of considering the views of shareholders. As such, the Policy was developed taking into account institutional investor guidelines.

Additionally, ahead of the publication of this report, the Chair of the Committee, on behalf of the Committee, consulted with the Company's major shareholders and representatives of UK institutional investors on the key revisions of the Policy. This included a number of discussions to frame the proposals in the context of the Company's performance and operational markets. The feedback received was positive and also valuable in informing the Committee's decisions. Further details can be found on page 105.

The Committee acknowledges that the Company is not required to report on some of the recently introduced legislation in The Companies (Miscellaneous Reporting) Regulations 2018. Specifically, reporting on employee engagement and the CEO to employee pay ratio do not apply directly to the Company as it employs fewer than 250 employees in the UK. Similarly, the Company does not have sufficient UK employees to be required to comply with the UK Gender Pay Gap Legislation, nor to provide meaningful data to inform the debate on the gender pay gap more generally. However, it is important to the Company to be progressive in this area, and we embrace the spirit of those reporting regulations and aim to work towards full compliance over a period of time. To this aim, the Committee acknowledges the current good levels of bilateral engagement between the Executive Director and the Executive Management Team, and the wider workforce. The Committee is satisfied that those levels of engagement are adequately explained in the "Responsible Business" section of the Strategic Report and that Code obligations are met without having to elect a designated NED or setting up a workforce panel at this point in time. Additionally, the Committee is cognisant that the CEO to employee pay ratio and gender pay gap may provide useful information when considering the appropriateness of pay outcome and other wider workforce remuneration, provided they are addressed in UAE context (where the CEO and the majority of the workforce are based), and using an appropriate methodology. Disclosure of the indicative CEO pay ratio and gender pay gap for FY19 and their respective methodologies can be found on page 106.

**Continuous improvement**
The Committee plans to actively pursue the implementation of an all-employee share plan in FY20 to further encourage the involvement of employees in the Company's performance, to support synergies between executive pay and workforce remuneration arrangements, and align the employee experience with that of shareholders.

Wider workforce pay arrangements are a key focus of the recent UK Corporate Governance reform and the Committee will ensure that wider workforce's pay, policies and cultural context are taken into account in reviewing the Executive Directors' pay. Employees' concerns and suggestions can be raised through a number of communication channels, such as direct and indirect engagement with the CEO via a dedicated "Ask Simon" email address, "Coffee with Simon" programme, and regular townhalls. Outcomes of these engagement conversations will be reported to the Board, allowing the Committee to review issues, initiatives and ideas which matter to the employees. In collaboration with the Group Head of Human Resources and Facilities, the Committee will give employees the opportunity to understand, review and discuss the Directors' pay arrangements in the context of the reward framework for the wider employee population. Disclosure of the engagement process and feedback will be included in the Annual Report and Directors' Remuneration Report for the year ending 31 December 2020.

I hope that having read this report and considered the performance of the Company during FY19, you will vote in support of the Policy and this report at the AGM on 30 April 2020. I will be there to answer questions in relation to the Policy and the Report.

**Victoria Hull**
Chair of the Remuneration Committee
8 March 2020

## SECTION 1: REMUNERATION OVERVIEW

**Remuneration in context**

**Employee engagement**

**Share ownership across our employees**
Employee share ownership across the Company is encouraged. To this aim, shortly after the listing, employees in our various geographies employed by the Company at the time of the IPO received a one-time award of shares equal to the greater of one month's salary or 250 shares. The Company believes that extending share ownership throughout the workforce will encourage loyalty and engagement, whilst allowing employees to participate in the Company's success. It also aligns the employees' interests with those of shareholders.

**Direct engagement with employees**
Whilst the Company is exempt from the reporting requirements on employee engagement, as the Company has fewer than 250 UK employees, the Committee is mindful of the spirit of this regulation, which is to consider the wider workforce as key stakeholders and to engage with them on matters that concern them. The Company aspires to place its people at the heart of its business. Key actions that reflect how the Company engages with employees are described in the "Responsible Business" section of the Strategic Report. Improvements to strengthen direct employee engagement with the Board and the Committee will be pursued in FY20.

**Remuneration engagement**
The Committee takes into account total budgeted salary expenditures and remuneration allocation principles to ensure fairness and alignment of the salary increases across the full employee population, including those relating to the Executive Directors and the Executive Management Team. The Committee has oversight of the remuneration arrangements for all employees across the Group, and it is satisfied that the core elements of executive pay align with the wider workforce, but differ based on scope, responsibility, seniority level and location. In summary:
— competitive benefits and pension are provided in line with local market and legislation;
— employees participate in either an annual bonus plan or a sales incentive scheme. The Executive Management Team participates in the incentive plans for Executive Directors: the ADBP and the LTIP; and
— all employees are share owners through the one-time award of shares post-IPO (granted under the LTIP).

**Shareholder engagement**

The Committee is dedicated to a continuous and open dialogue with shareholders on the issues of executive pay and it intends to consult with them in advance of making material changes to remuneration programmes of the Company's Executive Directors, as demonstrated by recent engagement regarding the 2020 Policy. Prior to the publication of this report, the Chair of the Remuneration Committee, on behalf of the Committee, engaged with the Company's major shareholders in order to obtain feedback on the proposed key remuneration changes and the Policy more generally. It also consulted with representatives of UK institutional investors such as the Investment Association (IA), the Institutional Shareholder Services (ISS), and Glass Lewis. The feedback received was positive, and in particular, shareholders and institutional investors welcomed the conversion of a portion of the Executive Directors' pre-IPO cash awards into shares, at prevailing market price, to improve the equity alignment between Executive Directors and shareholders. Shareholders were also supportive of the introduction of a ROCE assessment as part of the LTIP structure, and the conversations helped shape the formulation of the effective application of the ROCE underpin. Furthermore, following the consultation process, the Committee decided to align the shareholding requirement policy to 300% of fixed salary, instead of 200% of fixed salary as initially proposed. The increased shareholding target aligns with the potential LTIP award maximum of 300% of fixed salary (assuming the kicker targets are achieved). There was also support for the proposed 2020 CEO salary increase of 5%.

The Committee considers that the consultation process with shareholders and the governance community is a valuable opportunity to receive feedback on the remuneration arrangements of the Company's Executive Directors, and to engage in broader development in executive remuneration generally. The Committee will consider any shareholder feedback at the AGM, and throughout the year.

# Directors' Remuneration Report
continued

## SECTION 1: REMUNERATION OVERVIEW continued

**Remuneration in context** continued

**Indicative gender pay gap**

We are committed to creating an inclusive workplace with gender equality and fairness at the heart of our practices and policies. The programmes and engagement initiatives supporting our inclusive philosophy are detailed on pages 63 and 64. As part of this, we strive to give women the same career and pay progression as men. Understanding our gender pay gap is a further step in promoting positive change. In the context of our UAE-based employees, which form the majority of our workforce, the mean gender pay gap (total remuneration) to 31 December 2018 is 15%, whilst the median gender pay gap is 26% for the same period. This is explained by the uneven distribution of men and women across the business rather than unequal pay. The male and female employee population is 71% and 29% respectively. We need to do more to grow our overall female population, including in senior roles, in consideration of the markets in which we operate. Over the next few years, different initiatives will be assessed to support this goal, including but not limited to, training on unconscious bias being rolled-out to recruiters and managers, and the launch of a women's network to promote mentoring and access to role models and practical learning.

**Indicative CEO pay ratio**

Similar to the gender pay gap, the Company is exempt from the CEO pay ratio legislation as there are fewer than 250 employees in the UK. However, a CEO pay ratio is being disclosed voluntarily to provide information about the appropriateness of pay outcome, to consider wider workforce remuneration and to ensure transparency. The CEO's total pay, as per the FY19 single total figure remuneration, is compared to the total pay of the UAE-based employees as they represent the majority of our workforce and they share the same legal, tax and currency context for pay and benefits as the CEO. The calculation is based on methodology C of the regulations. Whilst we recognise that methodology A is statistically the most accurate of the three options, the FY19 variable pay review process for the employees is not finalised in time for the preparation of this report. Methodology B does not apply as the Company is not required to comply with the UK Gender Pay Gap Legislation. As per the methodology C requirement, the data gathered is not older than the previous financial year. Specifically, the employee database includes all permanent UAE employees as at 31 December 2018 who have received either an annual bonus or sales commissions paid in Q2 FY19 for FY18 performance period. Other pay elements part of the employees' total remuneration are: fixed salary, benefits (which would be chargeable to UK income tax if the employees were resident in the UK), and employer's pension contributions (where applicable). We do not expect the size of the FY19 employee bonus pool to be significantly different from FY18, but we will nevertheless restate in next year's report the figures using methodology A.

The table below discloses the CEO's total pay as compared to that of the UAE-based workforce at the 25th percentile, median and 75th percentile, and we will build on it each year accompanied by a narrative to explain any changes.

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2019 (excl. Pre-IPO incentives) | C | 29:1 | 17:1 | 11:1 |

**Remuneration alignment to financial and strategic performance**

| Performance measures | | Annual Deferred Bonus Plan ('ADBP') | Long Term Incentive Plan ('LTIP') |
|---|---|---|---|
| **Financial** | Revenue (45%) | ● | |
| | EBITDA (30%) | ● | |
| | Adjusted Earnings Per Share ('EPS') Compounded Annual Growth Rate ('CAGR') (50%) | | ● |
| | Revenue ('CAGR') (25%) | | ● |
| | Relative TSR (25%) | | ● |
| **Strategic** | Master Transitional Services Arrangement (10%) | ● | |
| | Key Regional Market Growth (7.5%) | ● | |
| | Stakeholder Management & People (7.5%) | ● | |

**2019 performance overview**

| Revenue | Underlying EBITDA[1] | Master Transitional Services Arrangement[2] | Key Regional Market Growth | Stakeholder Management & People |
|---|---|---|---|---|
| USD 334.9m<br>+12.4 from FY18 | USD 172.3m<br>+13.3% from FY18 | | | |
| On target resulting in a 50% payout level (out of max.) for the annual bonus. | On target resulting in a 50% payout level (out of max.) for the annual bonus. | Separation of shared services from Emirates NBD Bank PJSC on plan and cost targets. | Completed transition to next generation technology platforms.<br>Customers migrated.<br>Multiple customer wins.<br>Progressed our entry to Saudi Arabia market. | 13-point improvement in employee engagement survey<br>Alignment and incentivisation of employees following a grant of award of shares post-IPO |

1. This is an Alternative Performance Measure ('APM'). See note 4 of the consolidated financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. Network International LLC and Emirates NBD Bank PJSC have entered into a master transitional services agreement ('MTSA'). Under the MTSA, Emirates NBD provides certain IT and operational services to Network International LLC for a transitional period of three years, unless agreed otherwise by the parties in writing.

# Directors' Remuneration Report
continued

## SECTION 1: REMUNERATION OVERVIEW continued

**Proposed changes to the Policy and 2020 implementation**

The proposed changes to the remuneration framework set out in the Company's IPO prospectus take into account: i) the Code and developing institutional investor guidelines; ii) alignment of pay with the business strategy; iii) a structure that continues to retain, motivate and attract key talent in the competitive and complex markets in which we operate; and iv) clear linkage between executive pay and the shareholder experience. The key changes and their proposed implementation for 2020 are set out below.

| | Fixed pay | Variable pay | Governance |
|---|---|---|---|
| **Previous arrangement** | • Not set on IPO. | **Annual bonus**<br>• Up to a maximum of 200% of annual fixed salary with any part above 100% of fixed salary deferred into shares with a 3-year holding period (subject to continued employment).<br><br>**LTIP**<br>• Up to a maximum of 150% of fixed salary awarded in conditional shares with a 3-year vesting and 2-year holding period after vesting.<br><br>**Pre-IPO incentives**<br>• IPO Cash Bonus subject to listing and time vesting over 2.5 years after the event (subject to continued employment).<br>• MIP cash awards subject to listing and time vesting over 2.5 years after the event (subject to continued employment). | **Malus and clawback**<br>• Conditions which can trigger malus and clawback include:<br>— material financial misstatement;<br>— reputational damage;<br>— gross misconduct;<br>— fraud; and<br>— error in the assessment of performance measures.<br><br>**Shareholding requirement**<br>• Not set on IPO.<br><br>**Post-employment shareholding requirement**<br>• Not set on IPO. |
| **Revised Policy** | **Fixed salary**<br>• Determined by the Committee considering role, responsibilities, performance, comparable market data, pay ratios and employment conditions elsewhere in the Group.<br>• Salary increases for Executive Directors will typically align with increases across the Group (subject to exceptional circumstances).<br><br>**Pension**<br>• Executive Directors may receive pension contributions in line with local statutory requirements for UAE nationals and those from the Gulf Cooperation Council countries.<br><br>**Benefits**<br>• Competitive benefits provided in line with local markets and considering individual circumstances and the benefits available to employees.<br>• Reimbursement of UK tax liability for Board duties necessarily performed in the UK.<br><br>**End of service gratuity**<br>• Lump sum cash payment following termination of employment, as required under the UAE Labour Law for non-UAE nationals. | **Annual bonus**<br>• Unchanged.<br><br>**LTIP**<br>• An award of up to a maximum of 200% of fixed salary, and a kicker element to enhance the vesting level of the LTIP award maximum by 50% (up to an individual limit of 300%) for achieving stretched performance conditions above those applicable to the LTIP award.<br>• In exceptional circumstances (e.g. for the purposes of recruitment), the maximum base award may be 300% of fixed salary.<br>• The kicker element and the exceptional maximum LTIP award of 300% will not both be awarded to the same Executive Director in a single award.<br><br>**Pre-IPO incentives**<br>• No new award will be made.<br>• Ability to accelerate the vesting of a portion of the IPO Cash Bonus/MIP awards (of a minimum amount equal to 200% of fixed salary) provided the cash is used to invest in shares of the Company. The shares will be subject to a holding period and will be released on the same terms as the portion of the IPO Cash Bonus and MIP awards for which vesting will be accelerated. Clawback provisions will continue to apply. | **Malus and clawback**<br>• Extending clawback and malus provisions to include corporate failure.<br><br>**Shareholding requirement**<br>• Building up a shareholding of 300% of fixed salary over 5 years.<br><br>**Post-employment shareholding requirement**<br>• Post-cessation of employment, full shareholding must be retained for a period of 12 months, and half of the shareholding must be retained for a further 12 months. |



| | Fixed pay | Variable pay | Governance |
|---|---|---|---|
| **2020 implementation** | **Fixed salary**<br>• CEO salary increase of 5% to USD 574,391.<br><br>**Pension**<br>• The CEO does not currently receive a pension allowance, but is eligible for an end of service gratuity.<br><br>**Benefits**<br>• In line with the Policy.<br><br>**End of service gratuity**<br>• Accrual based on 21 days' fixed salary for each of the first five years of service, and 30 days' fixed salary for each additional year. | **Annual bonus**<br>• A maximum of 200% of fixed salary with any part above 100% of fixed salary deferred into shares with a 3-year holding period.<br>• Conditional on the achievement of a balanced scorecard of financial metrics (revenue 45% and EBITDA 30%) and non-financial metrics (25%).<br><br>**LTIP**<br>• An award of up to 200% of fixed salary and a kicker which can enhance the vesting level by 50% of the LTIP award (to an individual limit of 300% of fixed salary).<br>• The award will be conditional on the achievement of EPS (50%), revenue (25%) and relative TSR (25%) targets measured over a 3-year performance period. The kicker will only vest if the base award vests in full, and will be subject to additional performance conditions such that exceptional returns for shareholders are above a pre-determined threshold. The vesting of the award will also be subject to a ROCE underpin. Details of the performance targets attached to the 2020 LTIP award and the kicker will be announced prior to the AGM, by release of a RNS.<br><br>**Pre-IPO incentives**<br>• The Committee will accelerate the vesting of the remaining tranches of the IPO Cash Bonus/MIP awards (equal to 200% of fixed salary) on the condition that the cash is invested in shares of the Company. The shares will be subject to a holding period to October 2021 and will be released subject to continued employment, on the same terms as the portion of the IPO Cash Bonus and MIP awards for which vesting will be accelerated. Clawback provisions will continue to apply. | **Malus and clawback**<br>• In line with the Policy.<br><br>**Shareholding requirement**<br>• Shares purchased by the Executive Directors as a result of the accelerated IPO Cash Bonus/MIP cash payments will count towards the shareholding requirement of 300% of fixed salary.<br><br>**Post-employment shareholding requirement**<br>• Shares relating to awards to be granted after the date of the 2020 AGM will be included for the purposes of the post-cessation shareholding requirement. Shares relating to awards granted before this date, as well as any shares purchased by the Executive Directors (including for the avoidance of doubt, the IPO Cash Bonus/MIP cash payments accelerated and used to acquire shares), will be excluded. |
| **Rationale** | **Fixed salary**<br>• Reflective of: i) the role and responsibilities of the CEO in the newly listed environment; ii) strong business and individual performance since IPO; iii) the range of salary increases across the Group, which may be above the 3% average; and iv) market salary data in the FinTech sector.<br><br>**Benefits**<br>• The reimbursement of income tax liability as a result of Board duties necessarily carried out in another country is generally a recognised approach to addressing such tax issues.<br><br>**End of service gratuity**<br>• Contributions are accrued annually. | **LTIP**<br>• The higher award limits give further discretion to the Committee in the context of the fierce competition for talent in the global technology sector in which the Company operates and the high benchmarks for US based payment companies.<br>• The kicker element is intended to drive exceptionally high growth shareholder returns over the long-term, and to create a framework with which to retain, motivate and attract.<br><br>**Pre-IPO incentives**<br>• To enable Executive Directors to meet their shareholding requirements earlier, and to improve the alignment of Executive Directors' interests with those of shareholders. | **Malus and clawback**<br>• Align clawback and malus provisions with the Code.<br><br>**Shareholding requirement**<br>• Align with emerging best practice and institutional investor guidelines.<br><br>**Post-employment shareholding requirement**<br>• Align with emerging best practice and institutional investor guidelines. |

# Directors' Remuneration Report
continued

## SECTION 2: ANNUAL REPORT ON REMUNERATION

**Executive Directors' remuneration**

**Figure 1: 2019 CEO single total figure table (audited)**
The table below sets out the single total figure of remuneration for the CEO in FY19, as well as for the period from 27 February 2019 (the date the CEO was appointed prior to the IPO on 10 April 2019) to 31 December 2019. It also set outs the total remuneration excluding the pre-IPO cash incentives.

As the Company listed on 10 April 2019, no prior year data is provided. The Committee intends to disclose a comparison over two years from the 2020 Annual Report on Remuneration.

None of the FY19 remuneration payouts are linked to share price growth, and as such, no estimate of the amount of single figure remuneration linked to share price growth is reported. The Committee is satisfied that the total remuneration for the CEO in FY19 is appropriate in the context of business performance, motivation and retention. No discretion was exercised to determine the total remuneration as a result.

| Executive Director | Year | Fixed salary USD'000 | Benefits[1] USD'000 | Annual bonus[2] USD'000 | LTIP vested[3] USD'000 | Pension USD'000 | End of service gratuity[4] USD'000 | Pre-IPO incentives[5] USD'000 | Sub-total (excl. Pre-IPO incentives) USD'000 | Total[6] USD'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Simon Haslam | FY19 | 547 | 6 | 629 | 0 | 0 | 31 | 8,150 | 1,213 | 9,363 |
| | From 27/02/2019 (date of appointment)[7] | 463 | 5 | 532 | 0 | 0 | 31 | 8,150 | 1,031 | 9,181 |

Notes:
1. Relates to private medical insurance. This benefit is non-pensionable.
2. Relates to the payment of the ADBP for FY19. This represents 57.5% of maximum (or 115% of fixed salary), of which 100% of fixed salary (USD 547k) will be paid in cash and the portion above 100% of fixed salary (15% or USD 82k) will be deferred into shares with a three-year holding period (with no further performance measures attached). No discretion applied. Further details of the performance metrics and their assessment are set out on pages 111 to 112.
3. No LTIP award vested in the period ending 31 December 2019.
4. Relates to the provision accrued during the year.
5. Relates to the IPO Cash Bonus and the MIP awards which were earned on IPO. The cash awards vest over time, subject to continued employment with the Company at the vesting date (with no further performance measures attached). The total amount which vested in FY19 under both the IPO Cash Bonus and the MIP awards is USD 3,250k. No discretion applied. Further details are set out on page 114.
6. No other item of remuneration received in FY19 other than as disclosed in the table.
7. Fixed salary, benefits and annual bonus are pro-rated for the period from 27/02/2019 to 31/12/2019. The end of service gratuity is not pro-rated as it is calculated on the length of service as at 31 December 2019, inclusive of Pre-IPO employment with the Company. Additionally, the pre-IPO incentives which were earned on the IPO are not pro-rated.

**Fixed salary**
The fixed salary for the CEO was not increased prior to the IPO. Effective April 2020, the Committee proposes a salary increase of 5% to USD 574,391 slightly above the average 3% salary increase allocated to employees. This increase is intended to reflect: i) the additional responsibilities of the role as a result of the CEO being on the Board of a UK listed company; ii) strong individual and business performance; iii) the range of salary increases to employees, which may be above the 3% average under our established salary review process; and iv) salary benchmarks and retention challenges in the FinTech sector. Additionally, in making its decision, the Committee considered other reference points such as the CEO pay ratio and gender pay gap.

**Benefits**
The benefits offering and operations are in line with local market practice. The benefits for the Executive Directors and the Executive Management Team are the same as those offered to the employees located in UAE. Core benefits include: private medical insurance for self, spouse and up to three children, health screening, life insurance and relocation allowances (where applicable). The CEO is also eligible for the reimbursement of UK income tax liabilities incurred in respect of the conduct of his executive director duties necessarily performed in the UK. No reimbursement for such liability was made in FY19.

**Pension (audited)**
There were no pension contributions paid to the CEO for FY19. With respect to UAE national employees and those from the Gulf Corporation Council countries, the Company makes pension contributions as per the requirements under the UAE Federal Law.

**End of service gratuity**
As required under the UAE Labour Law for non-UAE nationals, the CEO will be eligible to receive an end of service gratuity payment upon termination. The annual contribution accrued by the Company is based on 21 days' fixed salary for each of the first five years of service, and 30 days' fixed salary for each additional year of service.



**Annual deferred bonus plan**
**2019 annual bonus**
Performance conditions for the 2019 ADBP were primarily assessed against financial measures of revenue and EBITDA (75%) and strategic objectives (25%). The financial metrics and calibration were selected after careful consideration of the Company's annual forecast, analysis of global payment processing peers and market practice for FTSE-250 companies. The strategic objectives were set against key areas of delivery critical for the sustainable success of the Company following the IPO. The scorecard also contained a risk underpin to support a risk-aware culture, focused on effectively managing risk and reporting requirements.

**Figure 2: 2019 annual bonus payout (audited)**
The Committee believes that the FY19 performance conditions and calibration balanced the requirements of the Company with FTSE-250 and global payment processing company market norms. The 2019 annual bonus payout was 57.5% of maximum (or 115% of fixed salary), equivalent to USD 629,000. Clawback provisions apply for two years after the bonus determination.

| | Financial (75%) | | | | | | |
|---|---|---|---|---|---|---|---|
| Performance measures | | Revenue (USDm) | | | EBITDA (USDm) | | Total |
| **Weighting** | | 45% | | | 30% | | |
| **Targets** | 324.4 | 334.5 | 351.2 | 163.6 | 172.2 | 180.8 | |
| **Payout levels** | 25% | 50% | 100% | 25% | 50% | 100% | |
| **Outcome** | | 334.9 | | | 172.3 | | |
| **Performance achieved** | | 50% | | | 50% | | |
| **Bonus achieved (% of Max.)** | | 22.5% | | | 15% | | 37.5% |
| **Bonus earned (USD'000)** | | 246 | | | 164 | | 410 |

| | Strategic (25%) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Performance Measures | | Master Transitional Services Arrangement (MTSA) | | | Key Regional Markets Growth | | | Stakeholder Management & People | | Total |
| **Weighting** | | | | | 7.5% | | | 7.5% | | |
| **Targets** | Acceptable | Above Expected | Strong | Acceptable | Above Expected | Strong | Acceptable | Above Expected | Strong | |
| **Payout levels** | 20-30% | 50-60% | 80-100% | 13-26% | 40-53% | 80-100% | 13-26% | 40-53% | 80-100% | |
| **Outcome** | | | | | See next section | | | | | |
| **Performance achieved** | | 50% | | | 100% | | | 100% | | |
| **Bonus achieved (% of Max.)** | | 5% | | | 7.5% | | | 7.5% | | 20% |
| **Bonus earned (USD'000)** | | 55 | | | 82 | | | 82 | | 219 |

| | |
|---|---|
| Risk Underpin | Compliance with risk oversight is considered as a risk underpin to the bonus. The underpin ensures that there is a risk-aware culture in place and that Executive Director and the Executive Management Team effectively manage risk and meet regulations and reporting requirements. Pages 55 to 60 of the Principal Risks and Uncertainties section contain information about the progress made in FY19 in managing risks. For FY19, the overall risk profile of the Group was managed at acceptable levels. |

# Directors' Remuneration Report
continued

## SECTION 2: ANNUAL REPORT ON REMUNERATION continued

**Executive Directors' remuneration** continued

### Figure 3: 2019 performance assessment of strategic measures

The table below details the strategic performance measures and the assessment of performance against each one.

| Strategic measures | Factors assessed | Performance evidence |
|---|---|---|
| **Master Transitional Services Arrangement ('MTSA')[1] 10%** | • Management of the service agreement ahead of the Company becoming independent from Emirates NBD Bank PJSC.<br>• Robustness of plan, effective cost management and the costing and execution of the plan at the end of the relevant financial year. | • Project management in place. Board appraisal of progress throughout 2019. |
| **Key Regional Markets Growth 7.5%** | • Network One system migration.<br>• Network Lite system migration.<br>• Customer wins.<br>• Positive strategic execution and pursuing opportunities for acceleration.<br>• Expanding product range and market penetration. | • Completed the transition to our next generation technology platforms. Customers migrated.<br>• Multiple customer wins such as Tyme Bank in South Africa, Sparkle Bank and Unity Bank in Nigeria, and direct acquiring with a number of SME and key UAE merchants.<br>• Further differentiating our products services, and unlocking new growth opportunities.<br>• Progressed our entry to Saudi Arabia market through the start of investment to deploy on-soil payments processing capability.<br>• Mastercard partnership has commenced with a focus on further digitising our payment capabilities.<br>• Renewed a number of important customer processing contracts for multiple year terms. |
| **Stakeholder Management & People 7.5%** | • Creating an engaging 'Great Place to Work'.<br>• Talent management and succession planning.<br>• Share ownership programme.<br>• Egypt restructuring. | • 13-point improvement in our 2019 engagement survey, up to 65%, which is significantly ahead of our sector peers in the region.<br>• Labour turnover rate reduced from 10% to 7.1% for the Group.<br>• Introduced an Employee Charter which sets out our commitments to colleagues, and broadened the benefits under our Employee Wellness Programme.<br>• New HR Exchange sessions in UAE and Egypt: A platform for employees to voice their opinions, concerns, queries and suggestions.<br>• Introduced a new Talent Management Framework and an enhanced mentorship programme.<br>• Alignment and incentivisation of employees following an allocation of shares post-IPO.<br>• Integrated three facilities in Cairo into a new office that brings several teams closer together. |

1. Network International LLC and Emirates NBD Bank PJSC have entered into a master transitional services agreement ('MTSA'). Under the MTSA, Emirates NBD provides certain IT and operational services to Network International for a transitional period of three years, unless agreed otherwise by the parties in writing.

### 2019 annual deferred bonus

The portion of any annual bonus payout above 100% of fixed salary is deferred into shares with a three-year holding period. The shares are subject to continued employment as well as malus provisions. In consideration of the 2019 annual bonus payout level of 57.5% of maximum, or 115% of fixed salary, an award of deferred shares equal to 15% of fixed salary, or USD82K, will be made shortly after the 2020 AGM.

### 2020 annual bonus

The Committee reviewed the structure of the annual bonus arrangements and determined that its structure remained appropriate and aligned with FTSE-250 market practice. To support the Company's growth journey, performance will once again focus on revenue (45%) and EBITDA (30%). The remaining 25% of the annual bonus was reviewed against a scorecard of individual measurable objectives identified as critical to the business strategy development in FY20. The performance targets for FY20 are deemed by the Board to be too commercially sensitive to report at this time, but they will be reported in next year's report. The Committee has discretion to adjust targets or performance measures for any exceptional events that may occur during the year.

**Long-Term Incentive Plan ('LTIP')**

### LTIP awards vested in 2019

The first awards under the LTIP were granted in FY19 and will vest in 2022, subject to achievement of the performance criteria to 31 December 2021. As such, no award vested in 2019.

### Figure 4: 2019 LTIP awards made (audited)

The table below sets out the details of the LTIP award made to the CEO in FY19 where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

The LTIP award was made on 17 May 2019 as a conditional share award, and the face value was calculated with reference to the IPO offer price of £4.35. The conditional shares will vest three years after the award grant date, to the extent that the Committee is satisfied that the performance conditions have been met. Malus provisions apply to the end of the vesting period, whilst clawback provisions apply for two years following vesting. Any dividend accrual during the performance period may be awarded in the form of additional shares.

| Executive Director | Award type | Basis of award % | Shares awarded | Face value of award (USD'000) | Percentage of award vesting at threshold performance | End of performance period |
|---|---|---|---|---|---|---|
| Simon Haslam | LTIP – conditional shares | 150% of fixed salary | 145,479 | 828 | 25% | 31/12/2021 |

### Figure 5: 2019 LTIP award performance conditions

The three performance conditions used in the 2019 LTIP award are: i) Adjusted Earnings per Share ('EPS') Compounded Annual Growth Rate ('CAGR'); ii) Revenue ('CAGR'); and iii) Relative Total Shareholder Return ('TSR'). The Committee views EPS and Revenue as measures which are key to support the delivery of the future strategy of the Company. TSR is measured against the FSTE-250 index, reflecting the Company's listing on the London Stock Exchange, and is in line with market standards for UK listed companies. 25% of the award will vest for threshold performance increasing on a straight-line vesting between threshold and maximum (100%). Targets outlined in the table below take into account market consensus, current budget estimates and market practice around metric calibration for UK listed companies.

| | Adjusted EPS (CAGR) | Revenue (CAGR) | Relative TSR |
|---|---|---|---|
| 2019 LTIP award (weighting) | 50% of award | 25% of award | 25% of award |
| Threshold performance (25% vesting) | 12% compound growth p.a. | 10% compound growth p.a. | Median |
| Maximum performance (100% vesting) | 16.5% compound growth p.a. | 14% compound growth p.a. | Upper quartile |

Note: For the 2019 LTIP awards to vest, the Company share price at the end of the vesting period must be greater than £4.35 (the IPO offer price).

# Directors' Remuneration Report
continued

## SECTION 2: ANNUAL REPORT ON REMUNERATION continued

**Executive Directors' remuneration** continued

**2020 LTIP awards to be made**

As detailed in the Chair's annual statement on pages 102 to 104, the Committee reviewed the long-term incentive framework. For the 2020 LTIP, the Committee proposes to grant the Executive Directors an award of 200% of fixed salary with a kicker of 50% of the LTIP award which can increase the vesting of an individual's award to a limit of 300% of fixed salary. The Committee considers that the proposed award level is appropriate given the complex and competitive markets in which the Company operates, and signals a clear message that whilst there is continued hard work to maintain our successful growth journey and deliver superior shareholder returns over the long-term, truly exceptional performance will be rewarded.

It is proposed that the 2020 LTIP awards will be conditional on the achievement of stretching EPS (50%), revenue (25%) and relative TSR (25%) performance metrics, consistent with the 2019 LTIP award. The kicker will have separate performance conditions (which will be over and above those applicable to the LTIP award) and will only be payable if the LTIP award vests in full. This means that if our corporate KPIs are delivered in full, and exceptional returns are created for shareholders (share price growth and dividends) above a pre-determined threshold, then the maximum 2020 LTIP award that can vest is 300% of fixed salary. The Committee will also apply an underpin to the award vesting such that it is satisfied that the Company's Return on Capital Employed ('ROCE') is at an appropriate level to ensure the effective deployment of capital and the quality of its earnings growth. This will be in addition to the Committee's overarching discretion, in line with corporate governance best practice, to adjust incentive outcomes to reflect overall corporate performance and shareholder experience. Details of the vesting levels and the performance targets attached to the 2020 LTIP award and the kicker will be announced prior to the AGM on 30 April 2020 by release of a RNS.

**Pre-IPO incentives**

**Figure 6: IPO Cash Bonus**

Network International LLC awarded selected members of the Group's management, including the CEO, cash bonus awards subject to and conditional upon listing. The size of the IPO cash bonus pool available for distribution was determined on the basis of the enterprise value ('EV') of the Group derived from the IPO offer price of £4.35. Half of the award vested on the listing, with the remaining half to vest in equal tranches (1/6) on the first and second anniversary of the listing, and 30 months after the listing. The award payments are subject to the participant remaining employed within the Group, and not under notice of termination, on the vesting date of the relevant tranche. Malus and clawback provisions apply to the award. Details of the IPO cash bonus award made to the CEO, including the amount which vested in FY19, is set out below.

| Executive Director | IPO Cash Bonus earned (USD'000) | FY19 IPO Cash Bonus payment (USD'000) |
|---|---|---|
| Simon Haslam | 2,360 | 1,180 |

**Figure 7: MIP awards**

The MIP is a phantom share incentive plan which was in place prior to the Company's listing. Its purpose was to retain and motivate the Group's management over time and in connection with a trigger event, such as an IPO. No new awards have been made since listing. Awards were made to selected members of the Group's management, including the CEO. Each award entitles participants to receive a cash payment calculated by reference to the IPO offer price of £4.35 on 10 April 2019. The awards vest in equal tranches over time. Payment of the awards is subject to the participant remaining employed within the Group, and not under notice of termination, on the vesting date of the relevant tranche. Malus and clawback provisions apply to the award. Details of the MIP award made to the CEO, including the amount which vested in FY19, is set out below.

| MIP | MIP awards earned (USD' 000) | FY19 MIP awards payment (USD'000) |
|---|---|---|
| Simon Haslam | 5,790 | 2,070 |

**2020 MIP awards and IPO cash bonus awards to be made**

No new awards will be made under the pre-IPO incentive terms. However, as detailed in the Chair's annual statement on page 103, a portion of the remaining cash payments equivalent to 200% of the Executive Director's fixed salary will be accelerated after the 2020 AGM (subject to shareholder approval) on the condition that the cash is used by the Executive Directors to purchase shares in the Company at the prevailing market price. The shares will be subject to malus, clawback and good leaver provisions, and will be released in October 2021 provided the Executive Directors remains employed by the Company at that time, thus mirroring the terms of the remaining tranches of the MIP and IPO Cash Bonus awards. However, the Executive Directors will be encouraged to retain their shares over a longer period of time, as the purchased shares will count towards the shareholding requirement of 300% of fixed salary. Accelerating vesting of a portion of the MIP and IPO Cash Bonus awards will enable the Executive Directors to meet their shareholding requirements earlier, thus enhancing the alignment of Executive Directors' interests with those of shareholders.



**Payment to past Director/payment for loss of office (audited)**

There were no payments to past Directors or payments for loss of office during FY19.

**Figure 8: Executive Directors' shareholding and share interests (audited)**

The Policy requires executive directors to hold shares equivalent in value to 300% of their fixed salary within a five-year period from their appointment date. As at 31 December 2019, the CEO did not own shares in the Company. The CEO has committed to purchasing shares in the Company at the prevailing market price using the accelerated portion of the MIP and IPO Cash Bonus awards, equal to 200% of fixed salary. It is expected that the conversion of cash into shares in the Company will take place shortly after the 2020 AGM. The purchased shares will count towards the CEO's 300% shareholding requirement. Additionally, in relation to the 2019 annual bonus payout, an award of deferred shares equal to 7.5% of maximum, or 15% of fixed salary, will be made shortly after the 2020 AGM, and those shares will also count towards the CEO's shareholding requirement.

In May 2019, the CEO was granted a conditional share award of 145,479 shares (150% of fixed salary at the time of the award) under the LTIP which is due to vest in 2022 subject to the satisfaction of performance conditions to the period to 31 December 2021.

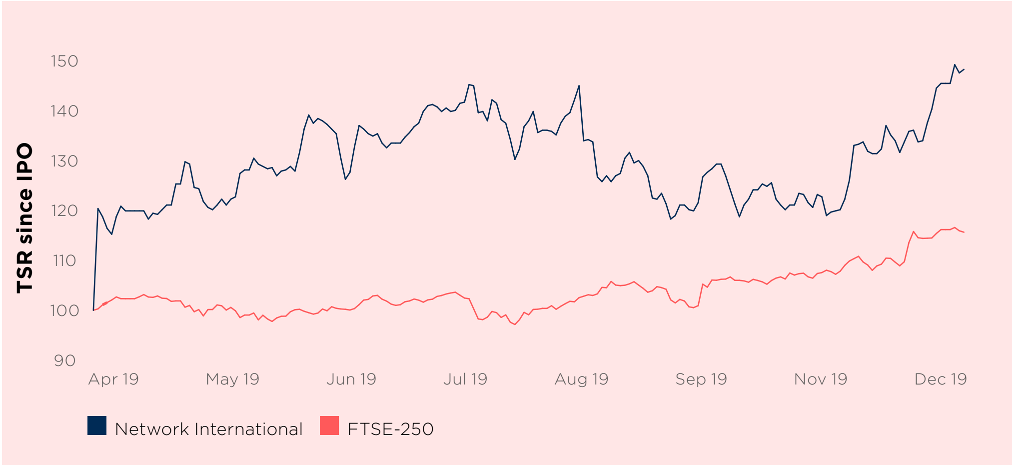
| | Shareholding | | | Unvested: Subject to performance conditions | Unvested: Not subject to performance conditions |
|---|---|---|---|---|---|
| Director | Shareholding requirement (% of fixed salary) | Shareholding requirement % met (% of fixed salary)[1] | Shares beneficially owned | LTIP | ADBP – Shares |
| Simon Haslam | 300% | 0% | 0 | 145,479 | 0 |

1. For the purposes of the shareholding requirement, only the net number of unvested share awards not subject to performance conditions is included, in line with institutional investor guidelines.

**Figure 9: Performance and CEO remuneration**

The graph below illustrates the Company's Total Shareholder Return ('TSR') performance against the FTSE-250 from the IPO date on 10 April 2019. The FTSE-250 was selected as the appropriate comparator as the Company is a constituent of the index. The graph shows the performance of a hypothetical £100 investment over that period. The remuneration data for the CEO since the listing date is set out in the table below the TSR chart.

**Total Shareholder Return vs. FTSE-250**




Data sourced from DataStream from Refinitiv.

# Directors' Remuneration Report
continued

## SECTION 2: ANNUAL REPORT ON REMUNERATION continued

**Executive Directors' remuneration** continued

| CEO | Year | Total single figure remuneration (excl. pre-IPO incentives) (USD'000) | Total single figure remuneration (USD'000) | Annual bonus payment (% of maximum) | LTIP vesting (% of maximum) |
|---|---|---|---|---|---|
| Simon Haslam | FY19 | 1,213 | 9,363 | 57.5% | n/a |
| | From 27/02/2019 (date of appointment) | 1,031 | 9,181 | 48.7% | n/a |

**Percentage change in remuneration of Directors and employees**
As the Company listed on 10 April 2019, no change between FY18 and FY19 can be calculated this year. Full disclosure of the year-on-year change will be provided in subsequent remuneration reports.

**Pay ratio information in relation to the total remuneration of the Director undertaking the role of Chief Executive Officer**
As the Company has fewer than 250 UK employees, we have made a voluntary disclosure aligned with methodology C of the regulations. Details can be found in the 'Remuneration Overview' section on page 106.

**Relative importance of the spend on pay**
As the Company listed on 10 April 2019, no change between FY18 and FY19 can be calculated this year. Full disclosure of the year-on-year change will be provided in subsequent remuneration reports.

**Fees retained for external Non-Executive Directorships**
Executive directors may hold positions in other companies as NEDs and retain the fees. The CEO did not hold a NED position with another company in FY19, and as such no fee for external appointment is being reported.

**Non-Executive Directors' remuneration**
**Figure 10: 2019 NEDs single total figure table (audited)**
The table below sets out the single total figure of remuneration for each NED in FY19 (between their appointment as a Director to the financial year end of 31 December 2019).

As the Company listed on 10 April 2019, no prior year data is provided. The Committee intends to disclose comparison over two years from the 2020 Annual Report on Remuneration.

| Non-Executive Director | Year | Fees GBP'000 | Benefits[1] GBP'000 | Total GBP'000 |
|---|---|---|---|---|
| Ron Kalifa (Chair) | 13/03/19 to 31/12/19 | 363 | 12 | 376 |
| Darren Pope (SID) | 13/03/19 to 31/12/19 | 129 | 0 | 129 |
| Victoria Hull | 13/03/19 to 31/12/19 | 105 | 0 | 105 |
| Habib Al Mulla | 29/03/19 to 31/12/19 | 72 | 0 | 72 |
| Shayne Nelson | 13/03/19 to 31/12/19 | 61 | 0 | 61 |
| Suryanarayan Subramanian | 13/03/19 to 31/12/19 | 61 | 0 | 61 |
| Aaron Goldman | 13/03/19 to 31/12/19 | 61 | 0 | 61 |
| Daniel Zilberman | 13/03/19 to 31/12/19 | 61 | 0 | 61 |

1. Relates to a payment for the purposes of obtaining private health insurance.

**Figure 11: Non-Executive Directors' annual fees**
2020 fees for NEDs and the Chair are detailed in the table below. The fees remain unchanged from FY19 after the normal annual review process.

| Non-Executive Director annual fees | 2020 fees GBP'000 |
|---|---|
| Chair | 450 |
| Committee Chair | 35 |
| Committee Membership | 10 |
| Non-Executive Director Base Fee | 75 |
| Senior Independent Director (SID) | 30 |

**Figure 12: Non-Executive Directors' shareholding (audited)**
The NEDs do not participate in any of the Company's incentive arrangements. There is no shareholding requirement policy in place for NEDs. The table below indicates the shareholding of NEDs as at 31 December 2019, including those held by connected persons.

| Non-Executive Director | Number of shares held as at 31 December 2019 |
|---|---|
| Ron Kalifa[1] | 564,156 |
| Darren Pope | 0 |
| Victoria Hull | 0 |
| Habib Al Mulla | 0 |
| Shayne Nelson | 0 |
| Suryanarayan Subramanian | 0 |
| Aaron Goldman | 0 |
| Daniel Zilberman | 0 |

1. In consideration of foregoing substantial compensation in connection with his executive appointments and employment prior to accepting the position of Chair of the Company, WP/GA, a substantial shareholder of the Company, paid RMK Consulting, a company wholly owned by the Chair, a fee of USD 4 million. Under the terms of the agreement, RMK Consulting was required to use the fee to acquire ordinary shares in the Company at the IPO offer price. RMK Consulting may not transfer the shares to any party during a period of three years following the listing date. Further details of the agreement are described in the Company's IPO prospectus.

**Figure 13: Non-Executive Directors' Agreements for Service**
The appointments of each of the NEDs are for an initial term of three years from the date of appointment until the conclusion of the Company's AGM occurring approximately three years from that date, unless terminated by either party on three months' notice, in the case of Independent NEDs, and one month's notice in the case of Non-Independent NEDs. The appointment of each Independent Non-Executive Director is also subject to annual re-election at the general meeting of the Company.

Shayne Nelson, Daniel Zilberman and Aaron Goldman have indicated their intention to step down from the Board at the AGM of the Company on 30 April 2020. This follows the reduction in the shareholdings and the discontinuation of the Relationship Agreements made with Emirates NBD Bank PJSC and WP/GA Dubai IV B.V.

| Non-Executive Director | Title | Date of appointment | Notice period | Unexpired term[1] |
|---|---|---|---|---|
| Ron Kalifa | Independent Chairman | 13 March 2019 | 3 months | 2 years 2 months |
| Darren Pope | Senior Independent Non-Executive Director | 13 March 2019 | 3 months | 2 years 2 months |
| Victoria Hull (Chair) | Independent Non-Executive Director | 13 March 2019 | 3 months | 2 years 2 months |
| Habib Al Mulla | Independent Non-Executive Director | 29 March 2019 | 3 months | 2 years 2 months |
| Shayne Nelson | Non-Executive Director | 13 March 2019 | 1 month | 2 years 2 months |
| Suryanarayan Subramanian | Non-Executive Director | 13 March 2019 | 1 month | 2 years 2 months |
| Aaron Goldman | Non-Executive Director | 13 March 2019 | 1 month | 2 years 2 months |
| Daniel Zilberman | Non-Executive Director | 13 March 2019 | 1 month | 2 years 2 months |

1. From March 2020.

# Directors' Remuneration Report
continued

## SECTION 2: ANNUAL REPORT ON REMUNERATION continued

**Report on the Remuneration Committee**

**Remuneration Committee remit**

The Committee's Terms of Reference were set out prior to the IPO and can be found on our website at investors.networkinternational.ae/investors/corporate-governance. In summary, the Committee makes recommendation to the Board regarding the Company's policy relating to executive remuneration and its cost, giving full consideration to the matters set out in the Code. It determines on the Board's behalf, the entire individual remuneration packages for each executive director, the Chair of the Board and the Executive Management Team. The Committee meets at least five times each year and otherwise as the Chair of the Committee requires.

**Figure 14: Remuneration Committee composition and meetings**

The table below indicates the number of meetings held during FY19 and Committee member attendance.

| Member | Member since | FY19 meetings | Number of meetings attended | % of meeting attendance |
|---|---|---|---|---|
| Victoria Hull (Chair) | 13 March 2019 | 4 | 4 | 100% |
| Habib Al Mulla | 29 March 2019 | 4 | 4 | 100% |
| Ron Kalifa | 13 March 2019 | 4 | 4 | 100% |
| Darren Pope | 13 March 2019 | 4 | 4 | 100% |

**Figure 15: Remuneration Committee activity**

The following table is a summary of the Committee's activity during FY19 and at the February and March 2020 meetings at which FY19 pay decisions were finalised.

| Meeting | Fixed and variable pay elements | Governance, risk and other matters |
|---|---|---|
| **May 2019** | • Approved proposed LTIP rules amendments to widen discretion of the Committee under the LTIP rules.<br>• Approved FY19 LTIP grants and performance conditions to Executive Directors and the Executive Management Team.<br>• Approved FY19 annual bonus structure for Executive Directors and the Executive Management Team.<br>• Approved IPO cash bonus payments to key employees significantly engaged in the IPO process. | • Approved the establishment of an employee benefit trust (the "EBT") to acquire shares in the market, and hold shares in trust for employees in accordance with the Company's share plans. |
| **July 2019** | • Approved FY19 bonus scorecard set at 75:25 financial to strategic targets.<br>• Approved one-off IPO share bonus to the wider workforce.<br>• Approved provision in the 2020 Directors' Remuneration Policy for the UK tax income charge for the CEO in relation to board duties necessarily carried out in the UK. | • Committee calendar of activities for the rest of FY19 and FY20.<br>• Approval of PwC fees and prospective cost. |
| **October 2019** | • Approved further development to the non-financial targets for FY19 bonus.<br>• 2020 Directors' Remuneration Policy – key features of emerging corporate governance.<br>• Reviewed market benchmarking of Executive Directors and the Executive Management Team remuneration levels. | • Consideration relating to Employee Engagement, CEO pay ratio and gender pay gap.<br>• Approved harmonisation of notice periods under the Executive Management Team contracts.<br>• Update received on the finalisation of the staff IPO one-time award and FY19 LTIP grants to senior management. |
| **December 2019** | • Approved Chair and NED fees for FY20.<br>• Approved the CEO's end of service gratuity calculation.<br>• Consideration of FY20 LTIP structure and performance conditions. | • Consideration of an all-employee share scheme.<br>• Consideration of FY20 LTIP extension to selected employees at the next level down from the Executive Management Team. |
| **February 2020** | • Approved FY19 annual bonus payout.<br>• Approved salary review for the CEO.<br>• Approved FY20 LTIP structure.<br>• Approved acceleration of a portion of the MIP and IPO Cash Bonus awards, equal to a minimum of 200% of fixed salary, conditional on the purchase of shares in the Company. | • Update on the progress of the 2020 Directors' Remuneration Policy and Directors' Remuneration Report. |
| **March 2020** | • Approved the 2020 Directors' Remuneration Policy and Directors' Remuneration Report. | • Update on the shareholders consultation process. |

**Remuneration Committee advisors and other attendees**

The Committee is authorised to obtain external advice from independent consultants where it considers it appropriate in carrying out its responsibilities. During FY19, PwC advised the Committee on all aspects of the remuneration policy for the Directors and members of the Executive Management Team, including the development of the policy prior to the IPO. PwC was appointed prior to listing following a selection process. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £160,500 were paid to PwC during the year in respect of remuneration advice received, accrued on a time and expenses basis. PwC provides other services to the Company, in relation to accounting, tax advice, reporting, internal audit and risk management. The Committee is satisfied that no conflicts of interest in regards to advice provided to the Committee exist. It is also satisfied that the members of PwC team do not have connections with the Company which might impair their independence. Allen & Overy LLP also provided advice on legal matters, such as the contractual terms of the incentive plan rules, and compliance with legal and regulatory requirements in the operation and reporting of incentive arrangements.

The Committee also seeks internal support from the CEO, Chairman, Chief Risk Officer and Group Company Secretary, Group Head of Human Resources and Facilities, and Principal Reward Consultant as necessary and appropriate. All may attend the Committee meetings by invitation, although none of them are present for any discussions on their own remuneration.

**Statement of shareholder voting**

This is the first Policy and annual Directors' Remuneration Report submitted to shareholders. Disclosure of the voting results at the 2020 AGM will be provided in the 2020 Directors' Remuneration Report.

Approved on behalf of the Board.

**Victoria Hull**
Chair of the Remuneration Committee
8 March 2020

This Policy and the Directors' Remuneration Report have been prepared in accordance with the relevant provisions of The Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules. Where required data has been audited by KPMG and this is indicated appropriately.

# Directors' Remuneration Report
continued

## SECTION 3 – DIRECTORS' REMUNERATION POLICY

**Introduction**
In accordance with the remuneration reporting regulations, the Policy as set out below will become formally effective at the AGM on 30 April 2020, subject to shareholder approval. It is intended to apply for a period of three years from the date of approval, unless a new Policy is approved by shareholders prior to its expiry.

**Remuneration principles**
Our key principles when designing the Policy are outlined below:
- To attract, retain and continue to motivate talented employees;
- To align the interests of the Executive Directors, the Executive Management Team and employees to the long-term interests of shareholders;
- To ensure that remuneration arrangements are clear, simple, and are aligned with the Company's purpose, values and culture; and
- To support a high performance, collegiate and inclusive culture with appropriate reward for superior Company, business unit and individual performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

**Determining the Policy**
The Committee's process for determining the Policy included:
- Considering the Company's strategy, ensuring that the Policy supports the strategy as a listed company, with the intention to continue to be fit for purpose over the next three years;
- Regulatory and investor sentiment was considered, most notably the impact of the Code;
- Reviewing the wider workforce remuneration and incentives to ensure the approach to executive remuneration is appropriately consistent;
- Consulting internally with Executive Directors and other relevant members of the Executive Management Team on the proposed changes to the Policy;
- Consulting externally with our Remuneration Committee consultants, for an independent view alongside broader market insights from suitable peers; and
- Carrying out a consultation exercise with major shareholders and investor bodies on our proposals.

**Linkage to all-employee pay**
The Committee reviews changes in remuneration arrangements in the workforce generally as we recognise that all our people play an important role in the success of the Company. Details on our wider workforce consideration and how our Policy cascades through the organisation can be found on page 105.

**Figure 16: Remuneration policy table**
Our proposed Policy is stated below:

| Element and link to strategy | Operation | Maximum | Performance measures and assessment |
|---|---|---|---|
| **Fixed Salary**<br>To provide competitive fixed remuneration that will attract and retain key Executive Directors and reflect their experience and position in the Company. | Executive Directors' fixed salaries are reviewed annually, and any changes normally take effect from 1 April, in line with the wider workforce. Fixed salaries may also be reviewed where there is a change in position or responsibility.<br><br>Fixed salaries are comprised of a fixed basic salary and a fixed allowance, as per local market practice.<br><br>When determining an appropriate fixed salary, the Committee considers:<br>• remuneration practices within the Company;<br>• the general performance of the Company;<br>• salaries within the ranges paid by the companies in the comparator group for remuneration benchmarking;<br>• any change in scope, role and responsibilities; and<br>• the economic environment. | In general, fixed salary increases will be in line with the approach for the wider workforce, unless there is a material change in role, experience or prevailing market conditions. | N/A |
| **Retirement Benefit**<br>To provide a competitive Company contribution, in line with local practice, that enables effective retirement planning. | A retirement benefit may be provided in line with local market practice. This may be by way of a contribution to a pension scheme or cash allowance in lieu of pension benefits.<br><br>The Executive Director does not currently receive a pension or cash in lieu, but is eligible for an end of service gratuity, in line with local market practice (see below). | Capped at 15% of fixed salary. This is in line with the minimum pension contributions requirement of the UAE Federal law applicable to UAE nationals and citizens of the Gulf Cooperation Council countries, subject to change from time to time. | N/A |
| **Benefits**<br>To support the Executive Directors' wellbeing and provide allowances in line with the local market. | Competitive benefits are provided in line with local market practice.<br><br>This currently includes private medical cover for Executive Directors and their family, life insurance cover, reasonable travel expenses, and relocation allowances if applicable. To the extent that an Executive Director is required to perform duties related to their role as an Executive Director in the UK, such that remuneration becomes liable to UK tax, the Company will cover this liability on behalf of the Executive Director.<br><br>Executive Directors may be eligible for other benefits introduced for the wider workforce, if the Committee decides the provision of such benefits is appropriate and in line with market practice. | N/A | N/A |
| **End of Service Gratuity**<br>To provide an end of service gratuity payment upon termination, as required under the UAE Labour Law for non-UAE nationals. | End of service contributions are accrued by the Company. The amount of the end of service gratuity accrual is not prepaid annually.<br><br>The end of service gratuity will be paid as a lump sum cash payment following termination, typically based on length of service and final base salary. In certain circumstances, the payment may be calculated by reference to fixed salary. | Limited to two years' base salary by the UAE Labour Law. | N/A |
| **Annual Bonus**<br>To incentivise the achievement of annual objectives which support the Company's short-term performance goals and protects longer term interests of the Company. | Performance measures and targets are chosen annually, to support the Company strategy as required.<br><br>Any portion of an Executive Director's annual bonus amount over 100% of annual fixed salary is deferred into shares with a three-year holding period (to which no further performance conditions are attached).<br><br>The remainder of an annual bonus is paid in cash. | 200% of annual fixed salary. | Performance targets will be set annually by the Committee based on a range of interdependent financial measures, such as Revenue and EBITDA, and non-financial objectives.<br><br>At least 50% of the Executive Director's annual bonus should be subject to financial measures. These will be set out each year in the Annual Report on Remuneration in the Directors' Remuneration Report. |

# Directors' Remuneration Report
continued

## SECTION 3 – DIRECTORS' REMUNERATION POLICY continued

| Element and link to strategy | Operation | Maximum | Performance measures and assessment |
|---|---|---|---|
| **LTIP**<br>To support the long-term strategic objectives of the Company. | Annual grant of share awards (structured as conditional share awards or nil-cost options) subject to stretching performance conditions measured over three years, and a two-year post-vesting holding period.<br><br>Performance measures and targets chosen annually, to support the Company strategy as required.<br><br>Dividend equivalents may accrue on shares vesting and will typically be paid in shares at the time of vesting, to the extent that shares vest.<br><br>A clawback period of two years from vesting applies to LTIP awards. | Award of up to 200% of fixed salary.<br><br>Ability to award a kicker opportunity of up to 50% of the LTIP award maximum, subject to additional performance condition(s).<br><br>Ability to award up to 300% of fixed salary in special circumstances such as recruitment of an Executive Director.<br><br>The kicker element and the exceptional maximum LTIP award of 300% will not be both awarded to the same Executive Director in a single award. | Awards vest based on a three-year performance period against a challenging range of performance conditions and targets set and assessed by the Committee. These will be set out each financial year in the Annual Report on Remuneration in the Directors' Remuneration Report.<br><br>In years where the LTIP kicker opportunity is awarded, the justification and targets for this will be set out in the Directors' Remuneration Report. |
| **Pre-IPO Incentives IPO Cash Bonus/MIP Awards**<br>To enable Executive Directors to meet their shareholding requirements earlier, and to improve the alignment of Executive Directors' interests and those of shareholders. | IPO Cash Bonus and MIP payments awarded at IPO are due to be paid in cash over the period to October 2021. Ability to accelerate the vesting of a portion of the IPO Cash Bonus/MIP awards (of a minimum amount equal to 200% of fixed salary) provided the cash is used to invest in shares of the Company. The shares will be subject to a holding period and will be released on the same terms as the portion of the IPO Cash Bonus and MIP awards for which vesting will be accelerated. Clawback provisions will continue to apply. | Discretion to accelerate the vesting of IPO Cash Bonus/MIP awards of a minimum equal to 200% of fixed salary to enable cash to be used to invest in shares. | N/A |
| **Shareholding Guidelines**<br>To align the interests of Executive Directors with the interests of shareholders. | Executive Directors have five years from joining the Company to build up a minimum shareholding requirement.<br><br>Post-cessation, Executive Directors will have to retain their full shareholding requirement for 12 months, and retain half of their shareholding requirement for a further 12 months.<br><br>Shares relating to awards to be granted after the date of the 2020 AGM will be included for the purposes of the post-cessation shareholding requirement. Shares relating to awards granted before this date, as well as any shares purchased by the Executive Directors (and for the avoidance of doubt, the pre-IPO cash payments converted into shares), will not be included.<br><br>The Committee will ensure that there is the necessary contractual agreement between the Company and the Executive Directors and/or enforcement mechanism in place to enforce the post-cessation shareholding requirement. | 300% of annual fixed salary. | N/A |

| Element and link to strategy | Operation | Maximum | Performance measures and assessment |
|---|---|---|---|
| **All-Employee Share Plans**<br>To encourage employees to become shareholders in the Company and thereby align their interests with those of shareholders. | Whilst the Company has no all-employee share plans in operation, the Committee is planning to review this over the next 12 months and introduce an all-employee scheme which meets the requirements of the Company and the global nature of the employee population.<br><br>Executive Directors will be eligible to participate in an all-employee share plan where they are implemented. | N/A | N/A |
| **Malus and Clawback Provisions** | Details of the malus and clawback arrangements are set out on page 125. | N/A | N/A |
| **Discretion** | Details of the Committee's areas of discretion are set out on page 128. | N/A | N/A |

In approving this Policy, shareholders give the Company authority to honour any commitments entered into with current or former Executive Directors (such as the vesting or exercise of past awards and IPO awards).

**Figure 17: Key remuneration element of the Code**
When designing the new Policy, the Committee reflected the new remuneration elements of the Code:

| Key remuneration element of the Code | Alignment with our proposed new Policy |
|---|---|
| **A five-year period between the date of grant and realisation for equity incentives** | • The LTIP meets this requirement. |
| **Phased release of equity awards** | • The LTIP ensures the phased release of equity awards through annual rolling vesting. |
| **Discretion to override formulaic outcomes** | • The Policy contains the ability to override formulaic outcomes and apply discretion where deemed necessary. |
| **Post-cessation shareholding requirement** | • There is a two-year post-cessation shareholding requirement. |
| **Pension alignment** | • The potential pension entitlement for Executive Directors is capped at 15% of fixed salary, in line with all-employee statutory pension requirements for UAE nationals and citizens of the Gulf Cooperation Council countries, subject to change from time to time. The CEO does not currently receive a pension. Instead he will be eligible to an end of gratuity payment upon termination, as required under the UAE Labour Law for non-UAE nationals. The annual accrual is below this level. |
| **Extended malus & clawback** | • Malus and clawback provisions meet the best practice suggested in relation to the new Code. |

# Directors' Remuneration Report
continued

## SECTION 3 – DIRECTORS' REMUNERATION POLICY continued

**Figure 18: Alignment with the Code**
In addition, the Committee paid particular attention to Provision 40 of the Code. The following table summarises the Committee's views.

| Factor | How the Policy aligns |
|---|---|
| **Clarity** | • The proposed Policy sets out clearly the basis for any payments and the terms of the incentive arrangements operated.<br>• The performance conditions used for the annual bonus and LTIP awards are based on a number of the Company's KPIs ensuring direct alignment between the successful implementation of the strategy and the reward provided to the Executive Directors. |
| **Simplicity** | • The Company's share plans are in line with standard UK market practice and designed to be easy to understand, simple and transparent to all stakeholders. |
| **Risk** | • The Policy includes:<br>— setting defined limits on the maximum awards which can be earned under the annual bonus and the LTIP;<br>— requiring the deferral of a substantial proportion of the incentives in shares for a material period of time;<br>— aligning the performance conditions with the strategy of the Company;<br>— ensuring a focus on sustainable performance through the performance period of the LTIP awards;<br>— ensuring there is sufficient flexibility to adjust payments through malus and clawback; and<br>— an overriding discretion to depart from formulaic outcomes under the Company's share plans.<br>• These elements mitigate against the risk of target-based incentives by:<br>— limiting the maximum value that can be earned;<br>— deferring a significant proportion of the value earned in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short-term behaviours;<br>— aligning any reward to the agreed strategy of the Company;<br>— focusing on the sustainability of the performance over the longer term under the LTIP;<br>— reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and<br>— reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company. |
| **Predictability** | • The Policy sets out clearly the potential rewards available to the Executive Directors depending on the performance achieved. In addition, all the checks and balances set out above under Risk are disclosed as part of the Policy. |
| **Proportionality** | • The Company's incentive plans clearly reward the successful implementation of the strategy and, through deferral and measurement of performance over a number of years, ensure that the Executive Directors have a strong drive to ensure that the performance is sustainable over the long-term. Poor performance cannot be rewarded due to the Committee's overriding discretion to depart from the formulaic outcomes under the incentive plans if they do not reflect underlying business performance. |
| **Alignment to culture** | • A key element of our culture is to ensure long-term sustainable performance. This is reflected directly in the type of performance conditions used in the Company's incentive plans which assess sustainable performance using a variety of non-financial and financial measures, as appropriate.<br>• The focus on share ownership (and the partnership ethos encapsulated in share ownership) and long-term sustainable performance is also a key part of the Company's culture. |

**Statement of considerations of shareholder views**
Read more on page 105.

**Consideration of employment conditions elsewhere in the company**
The remuneration policies for all employees are determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle was followed in our Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success, and this will be strengthened by the introduction of an all-employee share plan over the next 12 months.

In setting the Policy for Executive Directors, the pay and conditions of other employees of the Company are taken into account, including any fixed salary increases. The Committee also reviews and approves the remuneration structure for the management level below the Executive Directors and the proposed framework for annual pay rises and uses this information to ensure consistency of approach. Whilst the Committee did not engage directly with employees on the drafting of the Policy, our commitment to employee engagement, including in respect of remuneration is set out on page 105.



**Figure 19: Malus and clawback**
All incentive plans are subject to malus and clawback provisions. These are defined as follows:
- malus is the adjustment (including to zero) of unpaid incentive awards as a result of the occurrence of one or more circumstances listed below.
- clawback is the recovery of incentive payments as a result of the occurrence of one or more of the circumstances listed below.

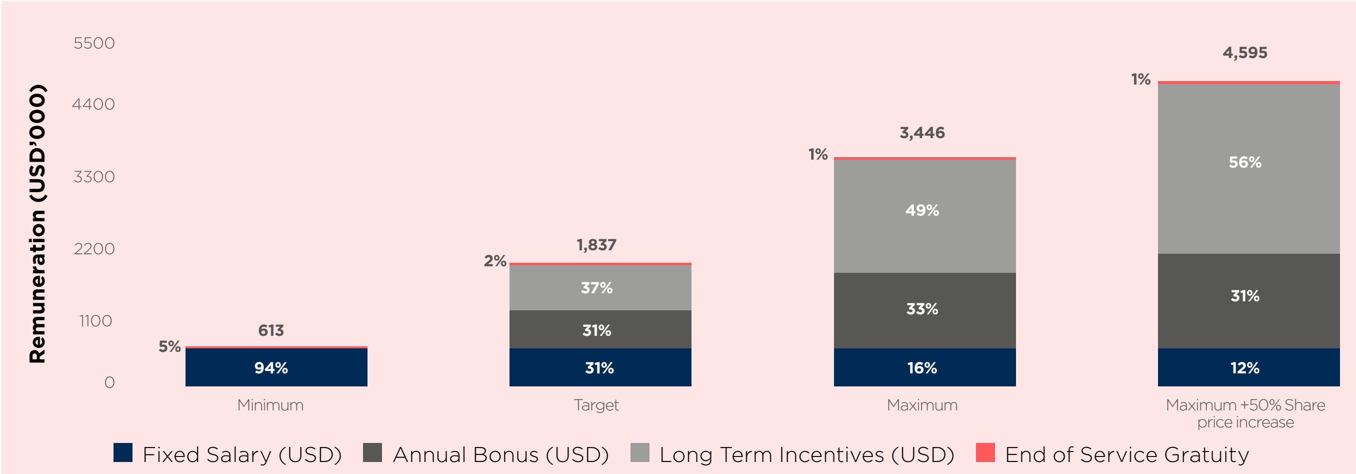
The periods in which malus and/or clawback could apply are:

| | Annual bonus | Annual Deferred Bonus awards | LTIP awards |
|---|---|---|---|
| **Malus** | To the day of payment (cash element). | To the end of the deferral period. | To the end of the vesting period. |
| **Clawback** | Two years following the bonus determination. | N/A | Two years following vesting. |

The circumstances in which malus and/or clawback may apply are:
- if the assessment of any performance target or condition in respect of an incentive award was based on error, or inaccurate or misleading information;
- if any information used to determine the number of shares subject to an award was based on error, or inaccurate or misleading information;
- the action or conduct of a participant does, in the reasonable opinion of the Board, amount to fraud and/or gross misconduct;
- events or behaviour of participant led to the censure of the Company by a regulatory authority or have a significant detrimental impact on the reputation of the Company, provided that the Board is satisfied that the participant was, at least in part, responsible for the censure or reputational damage; and
- corporate failure.

The Committee believes that the contractual provisions under the plans provide sufficient powers and mechanisms to enforce malus and clawback where required.

**Figure 20: Application of the Policy**
The chart below provides an illustration of what could be received by the CEO under the new 2020 Policy.




Note:
Minimum pay is: fixed salary, benefits (private medical cover), and the end of service gratuity accrued in the year. On-target pay includes fixed salary, benefits, gratuity, 50% of the maximum bonus (equal to 100% of fixed salary) and 60% vesting of the LTIP awards (with grant levels of 200% of fixed salary). Maximum pay includes fixed salary, benefits, gratuity, and assumes 100% vesting of both the annual bonus (200% of fixed salary) and the LTIP awards, including the 50% kicker (i.e. 300% of fixed salary). An additional scenario
sets out the value of the deferred portion of the bonus and the long-term incentive assuming a 50% increase in share price between grant and vesting.
All amounts have been rounded to the nearest USD 1,000. Fixed salary levels (which are the base on which other elements of the package are calculated) are based on those applying at 1 April 2020.

# Directors' Remuneration Report
continued

## SECTION 3 – DIRECTORS' REMUNERATION POLICY continued

**Figure 21: Remuneration approach to recruitment and promotion**
The Company's approach is for the remuneration of any new Executive Director to be assessed in line with the principles applied to the existing Policy. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as considering the appropriateness of any performance measures associated with an award.

The policy when setting remuneration for the appointment of new Executive Directors is summarised in the table below.

| Element | Recruitment policy |
|---|---|
| **Fixed salary, benefits, retirement benefit** | • This will be set in line with the Policy for existing Executive Directors. |
| **Annual bonus** | • Maximum annual bonus will be set in line with the Policy for existing Executive Directors and will not exceed 200% fixed salary. |
| **LTIP** | • Maximum LTIP award will be set in line with the Policy for existing Executive Directors i.e. an award of up to 200% of fixed salary, the ability to award a kicker opportunity of up to 50% of the LTIP award maximum, subject to additional stretching performance condition(s), and the ability to award up to 300% of fixed salary in special circumstances. |
| **Replacement awards for incentives forfeited on cessation of employment** | • The Committee's Policy is not to provide replacement awards as a matter of course. However, should the Committee determines that the individual circumstances of recruitment justified the provision of a replacement award, the value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated considering the following:<br>— the proportion of the performance period completed on the date of the Executive Director's cessation of employment;<br>— the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and<br>— any other terms and conditions having a material effect on their value.<br>• The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used. |

**Service contracts**
The Committee's Policy for setting notice periods is that a six-month period will apply for Executive Directors unless the Committee determines that 12 months would be more appropriate in the circumstances. The Committee may, in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to either six or 12 months following the first year of employment.

The Company can immediately terminate employment by making a payment in lieu of notice period, or in exceptional circumstances (e.g. misconduct). Post-termination restrictions can be applied for up to 12 months following the cessation of employment.

| Director | Date of appointment | Notice period |
|---|---|---|
| Simon Haslam | 27 February 2019 | 6 months |

**Figure 22: Policy on payments for loss of office**
The Committee will honour the Executive Directors' contractual entitlements. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case.

| Element | Loss of office policy |
|---|---|
| **Fixed salary, benefits, retirement benefit** | • These will be paid over the notice period. In addition, provision is retained to make a payment in lieu of notice.<br>• End of service gratuity may be paid in cash following the termination of employment as required under the UAE Labour Law for non-UAE nationals, and as described in the Policy. |
| **Annual bonus** | • Good leavers: performance conditions will be measured at the bonus measurement date. Bonuses will normally be time pro-rated for the period worked during the financial year (subject to exercise of discretion referred to below).<br>• Other leavers: no bonus payable for the year of cessation.<br>• Discretion: The Committee has the following discretions:<br>— to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and<br>— to determine not to pro-rate the bonus for time. It is the Committee's intention to use discretion not to pro-rate in circumstances where there is an appropriate business case, which will be explained in full to shareholders. |
| **Deferred bonus** | • Good leavers: all subsisting deferred share awards will vest at the end of the original deferral period.<br>• Other leavers: any unvested deferred share awards lapse.<br>• Discretion: the Committee has the following discretions:<br>— to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case, which will be explained in full to shareholders;<br>— to vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and<br>— to determine not to pro-rate the number of shares which will vest based on the time from the date of grant to the date of cessation. It is the Committee's intention to use discretion not to pro-rate in circumstances where there is an appropriate business case, which will be explained in full to shareholders. |
| **LTIP** | • Good leavers: all subsisting awards will be pro-rated to time and performance.<br>• Other leavers: any unvested awards lapse.<br>• Discretion: the Committee has the following discretions:<br>— to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case, which will be explained in full to shareholders;<br>— to determine that an award will vest on cessation, rather than on the normal vesting date (i.e. to measure performance over the original performance period or at the date of cessation). The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and<br>— To determine not to pro-rate the number of shares which will vest based on the time from the date of grant to the date of cessation. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case, which will be explained in full to shareholders. |
| **IPO Cash Bonus/MIP** | • Entitlements will vest in accordance with the contractual terms. |

A good leaver reason is defined as cessation in the following circumstances:
- Death;
- Ill health;
- Injury or disability;
- Redundancy;
- Retirement;
- Transfer of employment to a company which is not a Group company; and
- Any other reason at the discretion of the Committee (except for dishonesty, fraud, misconduct or any other circumstances justifying summary dismissal).

# Directors' Remuneration Report
continued

## SECTION 3 – DIRECTORS' REMUNERATION POLICY continued

**Figure 23: Policy on payments in the event of a change of control**

| Element | Change of control policy |
|---|---|
| **Annual bonus** | • Bonuses will be payable as soon as practicable after the relevant event, the amount of which will be determined by the Board taking into account the extent to which the performance conditions have been met.<br>• Discretion: the value of the bonus may be pro-rated to reflect the reduced period of time between the start of the financial year and the relevant corporate event as a proportion of the relevant financial year unless the Board otherwise decides. |
| **Deferred bonus** | • Share awards deferred under the annual bonus plan will vest in full at the time of the relevant event. |
| **LTIP** | • In the event of a takeover, scheme of arrangement, or winding-up of the Company, the LTIP awards will vest early. The proportion of the LTIP awards which vest shall be determined by the Board taking into account the extent to which any applicable performance conditions have been satisfied at that time. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.<br>• To the extent that LTIP awards granted as options vest in the event of a takeover, scheme of arrangement, or winding-up of the Company, they may be exercised for a period of six months measured from the date of the relevant event and will otherwise lapse at the end of that period.<br>• In the event of a demerger, distribution or any other corporate event, the Board may determine that awards will vest, to the extent determined by the Board taking into account the same factors as set out above.<br>• If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that awards may be replaced by equivalent new awards over shares in the new acquiring company. |
| **IPO Cash Bonus/ MIP** | • Entitlements will vest in accordance with the contractual terms. |

**Board discretion**

The Committee has the ability to exercise independent judgement and discretion when approving any of the outcomes of the Policy, including the ability to override formulaic outcomes which may involve upward or downward adjustments. Any discretion applied would take into account individual performance as well as the Company's performance, and the wider environment, including local labour laws such as Emiratisation.

- The Committee may also exercise some administrative and/or operational discretion under relevant plan rules approved by shareholders.
- The Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would, in the opinion of the Committee, be disproportionate to seek or await shareholder approval.
- Any exercise of discretion by the Committee will be communicated to shareholders in full in the Directors' Remuneration Report. The use of discretion enables the Committee to ensure that outcomes are consistent with business performance and the interests of shareholders.
- It is the Committee's intention that any outstanding contractual commitments made in line with its policies in place prior to admission to the London Stock Exchange on 10 April 2019, will be honoured, even if satisfaction of such commitments may be inconsistent with the Policy.

**Figure 24: Chair and Non-Executive Directors**

The Policy for NEDs, other than the Chair of the Committee, is determined by the Chair and Executive Directors. The fee for the Chair is determined by the Committee (without the Chair present).

| Element | Operation | Maximum | Performance measures and assessment |
|---|---|---|---|
| **Non-Executive Director fees**<br><br>To provide a level of fees to support recruitment and retention of NEDs and a Chair with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives. | The Policy for NEDs, other than the Chair, is determined by the Chair and Executive Directors. The fee for the Chair is determined by the Committee (without the Chair present).<br><br>NEDs are paid an annual fee and additional fees for chairing Committees. The Chair does not receive any additional fees for membership of Committees, but may receive benefits such as health insurance, or cash-in-lieu of health insurance.<br><br>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.<br><br>NEDs do not participate in any variable remuneration arrangements. | In general, the level of fee increase of the NEDs and the Chair will be set taking into account the general rise in salaries across the wider workforce.<br><br>The Company will pay reasonable expenses incurred by the NEDs and may settle any tax incurred in relation to these. | N/A |

# Directors' Report – Other Statutory Disclosures

**The Directors present their report for the financial year ended 31 December 2019.**

**Information included in the Strategic Report**
As permitted by legislation, the following matters which would otherwise be required to be included in the Directors' Report have instead been included in the Strategic Report on pages 02 to 69:

| Subject matter | Page reference |
|---|---|
| Likely future developments in the business | 23 |
| Research and development | 24 to 27 |
| Employment of disabled persons | 63 |
| Employee engagement | 62 |
| Relationships with suppliers, customers and others | 70 |
| Disclosures concerning greenhouse gas emissions | 67 |
| Diversity | 63 |

**Corporate Governance Statement**
The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in the Corporate Governance Report on pages 72 to 87 and the Strategic Report on pages 02 to 71 (which are incorporated into this Directors' Report by reference) and in this Directors' report.

**Cautionary statement**
This Annual Report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

**Disclosure of information under LR 9.8.4R**
The information that fulfils the reporting requirements relating to the following matters can be found on the pages identified:

| Subject matter | Page reference |
|---|---|
| Information on Relationship Agreements with Controlling Shareholders | 131 |
| Arrangements under which the employee benefit trust has waived or agreed to waive dividends/future dividends | 132 |

**Relationship Agreements with controlling shareholders**
The Company entered into a relationship agreement with each of Emirates NBD Bank PJSC ("ENBD") and WP/GA Dubai IV B.V. ("WP/GA") on 1 April 2019 (together the "Relationship Agreements"). The principal purpose of the Relationship Agreements was to ensure that the Company is capable at all times of carrying on its business independently of its Controlling Shareholders (as defined in the Listing Rules) and their associates. As set out on page 131, the Relationship Agreements terminated on 13 November 2019 and on 12 November 2019, with ENBD & WP/GA respectively.

The provisions of the Relationship Agreements remained in force and effect in respect of the relevant shareholder for so long as such shareholder, together with its associates, held ordinary shares representing at least 10 % of the ordinary shares in issuance by the Company from time to time. However, certain obligations on ENBD and WP/GA only applied for so long as the relevant shareholder was a Controlling Shareholder.

Under the Relationship Agreements, each of ENBD and WP/GA had the right to nominate a specified number of Non-Executive Directors for appointment to the Board at specified levels of shareholding in the Company. A full description of those rights and the individuals who have been appointed as Non-Executive Directors on the Board pursuant to those rights is given on page 83 in the Corporate Governance Report.

Under the Relationship Agreements, each of ENBD and WP/GA agreed with the Company that for so long as it remained a Controlling Shareholder it would not (and would procure that its associates would not):
- Conduct any transactions or arrangements other than at arm's length and on normal commercial terms;
- Take any action that would prevent the Company from complying with its obligations under the Listing Rules;
- Propose any shareholder resolution which is intended (or appears so) to circumvent the Listing Rules;
- Take any action that would prevent the Company from complying with its legal and regulatory obligations;
- Take any actions that would prevent the Company from complying with the principles of the UK Corporate Governance Code, save as disclosed in this Annual Report or otherwise agreed by a majority of Independent Directors;
- Cause or authorise anything that would prejudice the Company's eligibility as a premium listed company;
- Vote on any resolution to approve a 'related party transaction' where the Shareholder (or its associates) is the related party.

The Board confirms that, during the period in which the Relationship Agreements were in force:
- the Company complied with the independence provisions included in the Relationship Agreements;
- so far as the Company is aware, each of ENBD and WP/GA and their associates complied with the independence provisions included in the Relationship Agreements; and
- so far as the Company is aware, the procurement obligations included in the Relationship Agreements were complied with by each of ENBD and WP/GA.

On 5 September 2019, ENBD reduced its percentage holding of voting rights in the Company to 11.9% following the disposal of ordinary shares in the Company resulting in ENBD no longer being a Controlling Shareholder of the Company. On 5 September 2019, WP/GA reduced its percentage holding of voting rights in the Company to 10.76% following the disposal of ordinary shares in the Company resulting in WP/GA no longer being a Controlling Shareholder of the Company.

On 13th November 2019, ENBD and on 12 November 2019, WP/GA reduced their percentage holding of voting rights in the Company to 5.7% and 5.17% respectively following the disposal of ordinary shares in the Company. The Relationship Agreements between ENBD and the Company and WP/GA and the Company automatically terminated. ENBD and WP/GA ceased to be entitled to nominate non-executive Directors for appointment to the Board. The Company did not exercise its right to procure the resignation of ENBD's or WP/GA's nominated Directors, on the grounds that in the first year of operation as a listed company, the skills, knowledge and experience of Shayne Nelson, Suryanarayan Subramanian Aaron Goldman and Daniel Zilberman, and the contribution of each to the deliberations of the Board, continued to be important. On 22 January 2020, it was announced that Shayne Nelson, Daniel Zilberman and Aaron Goldman have indicated their intention to step down from the Board at the forthcoming Annual General Meeting (AGM) of the Company. They will continue to serve on the Board until the AGM, ensuring a smooth transition for the new Board members. Suryanarayan Subramanian will remain as a Board member, in order to provide support and continuity, given his long standing experience with the business and market.

# Directors' Report
continued

**Share capital**
The structure of the issued share capital of the Company as at 31 December 2019 and information about the issue of shares during 2019 are set out in notes 1 and 8 (on pages 196 and 198) to the financial statements. The Company has one class of share: ordinary shares of GBP 0.10 each.

**Issue and Buy-back of shares**
1. Issue of shares
The Directors were granted authority on 04 April 2019, prior to Admission, to allot shares in the Company: (i) up to one third of the Company's issued share capital; and (ii) up to a further one third of the Company's issued share capital in connection with a rights issue. During the financial period under review, the Directors did not use their powers to issue shares under this authority.

The Directors were also granted authority on 04 April 2019 to disapply pre-emption rights. This authority disapplies pre-emption rights over 10% of the Company's issued share capital. During the financial period under review, the Directors did not use their powers under this authority.

These authorities apply until the AGM to be held in 2020 or, if earlier, at the close of business on the date falling 15 months after the resolutions conferring them were passed on 4 April 2019. The Board currently intends to seek to renew these powers in line with relevant institutional guidelines at the 2020 AGM.

2. Buy-back of shares
The Company was granted authority on 04 April 2019 to purchase in the market up to 10% of its issued ordinary shares, subject to certain conditions laid out in the authorising resolution. This authority applies until the AGM to be held in 2020 or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it was passed on 04 April 2019. The Board currently intends to seek to renew this authority at the 2020 AGM.

The Directors did not exercise the authority to make market purchases of shares in the financial period under review.

**Shareholder rights**
The rights attaching to the ordinary shares are governed by the Company's Articles of Association and prevailing legislation. There are no specific restrictions on the size of a shareholding. Subject to applicable law and the Articles of Association, holders of ordinary shares are entitled to:
- receive all shareholder documents, including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

**Restrictions on voting**
There are no specific restrictions on the shareholders' ability to exercise their voting rights, save and except in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on the shares after request, or the shareholder is otherwise in default of an obligation to the Company). Currently all issued shares are fully paid.

**Shares held by the Company's employee benefit trust**
The Company has established an employee benefit trust to hold shares for satisfying the awards made under its employee share plans. The Deed of Trust requires the trustees to abstain from voting on the shares held in trust at any general meeting of the Company.

**Restrictions on the transfer of ordinary shares**
Ron Kalifa, Chairman, has an interest in 564,156 ordinary shares in the Company that were acquired pursuant to the terms of the consultancy agreement entered into on 13 March 2019 between WP/GA and RMK Consulting Services Ltd., a company wholly owned by Mr Kalifa. Further details in respect of these shares and the consultancy agreement are disclosed in the Remuneration Report on page 117. The 564,156 shares held by RMK Consulting Services Ltd may not be transferred to any party during the period of three years following 10th April 2019 being the date when the shares were admitted to trading on the London Stock Exchange.

The transfer of ordinary shares is governed by the general provisions of the Company's Articles of Association and prevailing legislation. There are no restrictions on the transfer of the ordinary shares other than: (i) as set out in the consultancy agreement described in the preceding paragraph; (ii) as set out in the Articles of Association; and (iii) certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws and regulations, which prohibit the transfer of shares by Directors, Officers and employees at certain times and otherwise require such individuals to obtain approval to deal in the ordinary shares in the Company in accordance with the Company's share dealing rules).

**Notifiable interests in voting rights**
At 31 December 2019, and updated as at 29 February 2020, the Company had been notified of the following interests in voting rights over the issued share capital of the Company:

| | As at 31 December 2019 | | As of 29 February 2020 | | |
|---|---|---|---|---|---|
| Shareholder | Number of voting rights | % interest in voting rights | Number of voting rights | % interest in voting rights | Nature of Interest |
| The Capital Group Companies, Inc | 54,458,257 | 10.8917 | | | Indirect |
| Mastercard UK Holdco Limited | 49,950,000 | 9.99 | | | Direct |
| Emirates NBD Bank PJSC | 28,634,626 | 5.7 | | | Direct |
| FMR LLC | 28,643,035 | 5.72 | 32,644,482 | 6.52 | Indirect |
| WP/GA Dubai IV B.V. | 25,834,861 | 5.17 | 12,918,118 | 2.58 | Direct |

Information provided to the Company under the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information service and on the Company's website.

As at 29 February 2020, no Directors and/or their connected persons had an interest in 3% or more of the voting rights of the Company.

**Dividends**
The Directors recommend the payment of a final dividend of USD 3.1 cents per ordinary share to be paid for the year ended 31 December 2019, if approved, on: 28 May 2020 to members on the register at close of business on 11 May 2020. This is in line with our stated dividend policy to payout up to 15% of underlying net income.

**Directors' appointments**
The names of the current Directors, the date on which each was appointed and the unexpired term of Service Contract for each Director are disclosed in the Remuneration Report on page 117.

The appointment and replacement of Directors is governed by the Company's Articles, the UK Corporate Governance Code, the UK Companies Act 2006 and related legislation. Directors may be appointed by the Board, on the recommendation of the Nomination Committee, or by the Company by ordinary resolution.

All Directors are subject to the election or re-election by shareholders at each Annual General Meeting.

Further information on the appointments to the Board is set out in the Corporate Governance Report on page 72.

**Directors' Conflicts of Interest**
Directors are under a duty to declare any conflict or potential conflict of interest that may arise from time to time. The Board considers and may authorise any conflict or potential conflict as appropriate. Directors with a conflict do not participate in the discussion or vote on the matter in question. More details on how the Directors' conflict of interest is addressed are in the Governance Report at page 84.

**Powers of the Directors**
Subject to the Company's Articles of Association, the prevailing legislation and any directions by special resolution, the business and affairs of the Company are managed by the Directors. Details of the current authorities to issue and buy back shares are set out on page 132.

**Qualifying third-party indemnity and Directors and Officers Liability Insurance**
In accordance with its Articles of Association, the Company has granted a qualifying third-party indemnity, to the extent permitted by law, to each Director and the Group Company Secretary. The Company also maintains Directors' and Officers' liability insurance.

**Significant Agreements (Change of Control)**
The common terms agreement dated 10 May 2016 (amended on 18 March 2019 and 7 August 2019) for a term facility entered into by one of the subsidiaries of the Company and various lenders, to which the Company also acceded as a guarantor alongwith other group companies, provides for the ability to individual lenders to cease funding a further utilisation requests, and to seek repayment of all sums funded by them together with interest and other amounts payable, on 10 business days' notice in the event of (i) any person or group of persons acting in concert (other than ENBD and WP/GA) acquiring (directly or indirectly) equity share capital having the right to cast more than 30 per cent. of the votes capable of being cast in general meetings of the said subsidiary or the Company; or (ii) any sale of all or substantially all of the businesses or assets of the Network International Group.

The revolving credit facility agreement dated 31 October 2019 entered into by one of the subsidiaries of the Company and various lenders, to which the Company is also a signatory alongwith other group companies as a guarantor, provides for the ability to individual lenders to cease funding further utilisation requests, and to seek repayment of all sums funded by them together with interest and other amounts payable, on 10 business days' notice in the event of (i) any person or group of persons acting

# Directors' Report
continued

in concert (other than ENBD and WP/GA) acquiring (directly or indirectly) equity share capital having the right to cast more than 30 per cent. of the votes capable of being cast in general meetings of the said subsidiary; or (ii) any sale of all or substantially all of the businesses or assets of the Network International Group.

In addition there are a number of agreements that take effect, alter, or terminate upon a change of control of the Company. None are considered to be significant in terms of the Group as a whole.

**Compensation for loss of office**
Information in respect of Directors' remuneration, including any contractual arrangements on termination of employment, is disclosed in the Remuneration Report on page 127.

**Financial Instruments**
In relation to the use of financial instruments by the Company, information in respect of:
a) the financial risk management objectives and policies of the Company, and
b) the exposure of the Company to credit risk, liquidity risk, market risk and operational risk, is disclosed in the Financial Statements on pages 185 to 192.

**Suppliers payment policy**
Terms of payment are agreed with individual suppliers prior to supply. The Group aims to pay its suppliers promptly, in accordance with terms agreed for payment, provided the goods or services have been provided in accordance with the agreed terms and conditions.

**Future developments**
An indication of likely future developments in the business of the Company are included in the Strategic Report on pages 20 to 23.

**Branches outside the UK**
The Company does not have any branches outside the UK. The Company has a number of subsidiary companies that are operating in different countries in which they have been incorporated.

**Donations**
In line with the Company's policy, no political donations were made, and no political expenditure was incurred during the year.

Details of the Group's charitable activities are included in the Strategic Report on page 68.

**Amendment of Articles of Association**
The Company's Articles of Association may be amended by special resolution of shareholders. The Company's Articles of Association adopted by shareholders with effect from 10 April 2019, being the date of the IPO and the admission of shares traded on the London Stock Exchange, are available on the Company's website.

**Going Concern and Viability Statements**
The statements required to be included in the Annual Report following UK Corporate Governance Code provisions 30 and 31 can be found on pages 136 to 137 respectively and are incorporated into this Directors' Report by reference.

**Disclosure of information to auditors**
In accordance with Section 418 of the Companies Act 2006, each person who is a Director of the Company as at the date of approval of this report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**Statement of Directors' responsibilities**
The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and practice.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 102 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements state whether they have been prepared in accordance with IFRSs as adopted by the EU.
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- Assess the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Responsibility statement of the Directors in respect of the Annual Report**
We confirm that to the best of our knowledge:
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Fair & Balanced**
The Directors confirm that they consider the annual report and accounts, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. In making this confirmation, the Directors took into account their knowledge of the business, which is kept up to date with regular reports, updates and business reviews circulated prior to and discussed at each Board meeting, and supplemented by a variety of written reports, verbal updates and presentations given at Board and Committee meetings as well as a regular flow of information about the business between meetings. The Directors then took into account the thorough preparation and verification process in respect of the annual report and accounts, which included sufficient time for the Directors to review the annual report and accounts and to feed in their comments to management before approving the document.

The Directors' Report has been approved and is signed by order of the Board by:

**Simon Haslam**
Chief Executive Officer
8 March 2020

Registered Office:
Suite 1,
3rd Floor,
11-12 St James's Square,
London, SW1Y 4LB
United Kingdom
Registered number:
11849292

# Going concern statement

The Group has made a profit of USD 57.0 million (2018: 23.4 million) with cash inflow from operating activities of USD 131.2 million (2018: 117.5 million) for the year and has a net asset position of USD 238.7 million as at 31 December 2019 (2018: 191.7 million). Furthermore, the Group meets its day-to-day working capital and financing requirements through its cash generated from operations and its bank facilities. Notwithstanding the net current liability position of the Group and the Company, the Directors have, based on the above, Group future business plan and other due considerations, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on going concern basis.

# Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the Group's prospects over a period longer than the 12 months required by the Going Concern statement.

**Viability timeframe**
The Directors have assessed the Group's viability over a period of three years from 31 December 2019. This period was selected as an appropriate timeframe based on the following rationale:

- This time horizon is captured by our business planning cycle and a period during which principal risks (particularly those of an operational nature over which we have more control) typically develop;
- The three year period is also in line with long-term management incentive plan;
- Continuously innovating nature of the industry makes it difficult to predict with sufficient confidence how competition, customer demand delivery mechanisms and other risks will evolve beyond a three year timeframe; and
- The continuing changing macroeconomic and political environment, globally and regionally, presents greater uncertainty into a forecasting period longer than three years.

Whilst the Directors have no reason to believe the Group will not be viable over a longer period than three years, we believe that a three-year period presents shareholders with a reasonable degree of confidence, while providing a longer-term perspective.

**Assessment of prospects**
The Group gets a significant portion of its recurring revenues through long-term contracts with its diversified portfolio of clients and aims at stable low to mid teen revenue growth strategy, as evidenced both by its past performance, resilience and the position it occupies in the market.

The key factors supporting the Group's prospects are:

- Long-term, loyal, blue-chip clients - Over the past 20 years, the Group has built long-standing and trusted relationships with many of the leading merchants, financial institutions and card issuers operating in the MEA region. The Group's clients, on the merchant solutions side, include more than 70,000 merchants, and on the Issuer solution side, more than 200 leading financial institutions in its region of operations.
- Proprietary technology – The Group has developed its own independent, integrated, reliable and highly secure next generation technology platforms, Network One and Network Lite, which serve both our issuer and merchant solutions business lines. Both principal platforms comprise core authorisation and card management systems from commercial off-the-shelf providers to benefit from leading international technologies, which have been fully integrated and tailored to the markets and regions in which the Group operates.
- Leadership position – we are the leading enabler of digital commerce across the Middle East and Africa (MEA) region, which is the world's most underpenetrated payments market. The Group is the only pan-regional provider of digital payments solutions at scale, with presence across the entire payments value chain. The Group sits at the heart of the MEA payments ecosystem and operates a deeply entrenched network driving adoption of digital payments across the region.
- The Group's management team, which includes executives with regional and international experience, has been instrumental in developing the Group into a leading digital payments provider in the MEA region. The members of the Group's management team have on average 20 years of industry experience in the financial services, payments and technology sectors and a track record of execution at leading organizations regionally and internationally.

**Assessment process and key assumptions**
The Group's prospects are assessed primarily through its strategic and financial planning process. This includes preparation of a detailed Group budget based on zero based budgeting. This process is led by the Group's Chief Executive Officer and Chief Financial Officer, in conjunction with divisional and functional management teams. The Board participates fully in the annual process to review, challenge and approve the annual operating budget.

The output of the annual budget process is a set of objectives, and a clear explanation of the key assumptions and risks to be considered when agreeing the plan culminating into a detailed set of financial forecasts.

The Group also has a long term strategy in place which helps drive the business forward. The strategy is reviewed and updated on a periodic basis. Detailed financial forecasts for a time horizon of 3 -5 years are prepared, with the first year of the financial forecast forming the Group's operating budget in line with overall Group Strategy.

Business plan for subsequent years are firmed up based on the detailed budget in line with overall strategic plan. The operating budget is further updated through a rolling forecast process. Progress against financial budgets and key objectives are reviewed in detail on a monthly basis by Group's management team. Mitigating actions are taken whether identified through actual trading performance or through the rolling forecast process.

The latest budget (for 2020) was finalized in December 2019, which was reviewed and approved by the Board. This budget is based on Group's current position and its prospects over the forthcoming year, and in line with Group's stated strategy.

The Group's long term prospects is guided by the following strategic priorities:

- Capitalise on structural market growth and regional adoption of digital payments
- Expand customer base
- Expand regional leadership position
- Leverage technology investment

The Group's financial forecasts are based, on the following key assumptions:

- Organic revenue growth at low double-digit in the near term, accelerating to low to mid-teen growth over medium to long term;
- Slight EBITDA margin dilution in the near term as we invest to grow our position in newer markets, deliver on new customer wins and accelerate our separation of shared services from Emirates NBD;
- Stable Capex spends on core business post completion of transformation program;
- No change in the stated dividend policy;
- No change in capital structure of the Group; and
- Further Revenue and EBITDA upside from growth accelerator opportunities, such as partnership with Mastercard, deeper geographic penetration in Saudi Arabia, large outsourcing opportunities in Southern Africa and strategic M&A, which may require additional Capex spends.

**Assessment of Viability**
Although the output of the Group's strategic and financial planning reflects the management's best estimate of the future prospects of the business, the Group has also assessed the impact of severe yet possible scenarios. These scenarios are designed to explore the Group's resilience to the principle risks as set out in the Annual Report & Accounts and combinations of correlated risks. The key scenarios tested can be summarised as:

1. Slowdown in card spends due sluggish market conditions for various reasons including geo-political scenario impacting both Merchant Solutions and Issuer solution revenues
2. Data breaches
3. Loss of Business/Major clients
4. Technological interruption

| Stress Testing Matrix | Slowdown in card spends due to slow market activity | Data Breaches | Loss of Business | Technological interruption |
|---|---|---|---|---|
| **Principal Risks** | | | | |
| Cyber security | – | ✓ | – | ✓ |
| Technology resilience | – | ✓ | – | ✓ |
| Operational resilience | – | ✓ | – | ✓ |
| Strategy and Business | ✓ | ✓ | ✓ | ✓ |
| People | – | – | ✓ | – |
| Regulatory and Compliance | – | ✓ | ✓ | ✓ |
| Geo-Political | ✓ | – | ✓ | – |
| Financial Liquidity | ✓ | – | ✓ | – |
| Fraud | – | ✓ | – | – |
| Credit | ✓ | – | – | – |
| Third party | – | ✓ | – | ✓ |

The results of the stress testing demonstrate that, due to the Group's high cash generation and access to additional funds, the Group would be able to withstand the impact. The mitigants considered as part of this stress testing include initiatives to be taken, to reduce operating expenses, and rationalisation of capital expenditure.

While preforming the above stress testing, some risks are outside the Group's control and the potential implications are difficult to predict (i.e. catastrophic risks due to any unforeseen geo-political scenarios or otherwise), and have not been considered in the scenario testing.

**Viability Statement**
Based on the results of their analysis, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 December 2022.

# Independent Auditor's Report to the Members of Network International Holdings Plc

**1. Our opinion is unmodified**
We have audited the financial statements of Network International Holdings plc ("the Company") for the year ended 31 December 2019 which comprise the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the related notes, including the accounting policies in note 1, parent Company statement of financial position and parent Company statement of changes in equity.

**In our opinion:**

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 28 March 2019. The financial year ended 31 December 2019 is our first year as auditor. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

**2. Key audit matters: our assessment of risks of material misstatement**
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

**Revenue recognition – acquiring revenue – 64% of Merchant Solutions revenue of USD 152.5 million**
Refer to note 19 (accounting policy) and note 19 (financial disclosures)

| The risk | Our response |
|---|---|
| **Data capture:** Acquiring revenue is recognised based on the value and nature of transactions processed and the rates agreed with merchants and other parties. The value of transactions is extracted from operational IT systems through which payments are processed. These operational IT systems are highly complex in nature. | Our procedures included:<br>**Control design:** Testing IT controls relating to access to programs and data, program change and development and computer operations in order to address the risk of unauthorised changes being made to the operation of IT application controls. |
| **Processing error (IT systems):** There is a risk that these systems may not be configured correctly from the outset such that revenues are calculated incorrectly, that data does not correctly flow through the operational IT systems, and that unauthorised changes may be made to any of these systems, which may result in the misstatement of revenue. | **Control design:** Testing the design, implementation and operating effectiveness of IT application controls, including controls around customer set up and changes to master data that are designed to ensure the appropriate rates are assigned to each merchant in the system based on signed contract terms. |
| **Processing error (finance processes):** The output from the operational IT systems is used to calculate and record revenue balances. Accurate revenue recognition requires core finance processes accurately reporting on and reconciling the transactions as reported by the IT systems. | **Control re-performance:** Testing the operating effectiveness of the manual controls over the reconciliation of transactions as reported by the IT systems.<br><br>Reperformance: On a sample basis vouch items recorded back to source data including:<br>— Agreeing key system inputs from which the revenue amounts are derived to the source documents to assess the data integrity of these inputs.<br>— Recalculation of the revenue to be recognised, disaggregated by merchant and scheme, based upon the key system inputs.<br>— Examination of cash receipts from schemes, third- party confirmations.<br>— Review of customer complaints data to assess whether any recognised revenue amount is in dispute.<br><br>Assessing whether the Group's disclosures in respect of revenue recognition provide sufficient detail for users to understand the nature of transactions.<br><br>**Our results**<br>We found the revenue recognised in respect of acquiring revenue to be acceptable. |

# Independent Auditor's Report to the Members of Network International Holdings Plc continued

**Annual report disclosures**
Throughout the annual report and financial statements

| The risk | Our response |
|---|---|
| **Potential disclosure omission**<br>As a result of listing on the UK stock exchange, the Group is subject to an increasing number of laws and regulations and new disclosure requirements, and oversight by the Financial Reporting Council.<br><br>**Presentation appropriateness**<br>The Group has to comply with the ESMA Guidelines on Alternative Performance Measures (APMs) that require equal prominence, consistency, clear definitions, and reconciliations to equivalent IFRS measures. An APM is any financial measure that is not extracted directly from the IFRS financial statements – for Network this includes items such as Underlying EBITDA, Underlying Net Income, Underlying EPS, and constant currency measures. In addition, where certain items are excluded from an APM (for example Specially Disclosed Items), there are criteria that need to be met.<br><br>There is a risk that the financial statement disclosures and other disclosures to the market (including in the front-half narrative) are not in line with these new requirements. | Our procedures included:<br>**Test of details:**<br>We have assessed the adequacy of the Group's disclosure with reference to the requirements of IFRS as adopted by the EU, the UK Companies Act 2006 and the Listing Rules and Disclosure and Transparency Rules that now apply. Our audit procedures on key financial statement disclosures are as follows:<br>**Alternative Performance Measures:** For each APM we have verified that the requirements of the ESMA guidelines are met through challenging management and critically assessing disconfirming evidence (for example around these measures being balanced and presenting equally positive and negative results). We assessed that each APM was presented with a meaningful label, had a clear description and explanation and no more prominence than the IFRS equivalents.<br>**Specially Disclosed Items (SDIs):** In assessing the appropriateness of adjustments to the IFRS equivalents, we assessed whether each SDI was exceptional by nature, incidence or size, was not a recurring item and clearly described by management.<br><br>**Our results**<br>We found the presentation of the annual report and financial statements to be acceptable. |

**Recoverability of parent company's investment in subsidiaries (USD 1,553 million)**
Refer to note 4 (accounting policy) and note 6 (financial disclosures)

| The risk | Our response |
|---|---|
| **Low risk, high value**<br>The carrying amount of the parent company's investments in subsidiaries represents 100% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit. | Our procedures included:<br>**Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.<br>**Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit. Comparing the carrying value of the investments to the market capitalisation of the Group.<br><br>**Our results:**<br>We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable. |

**3. Our application of materiality and an overview of the scope of our audit**
Materiality for the group financial statements as a whole was set at USD 4.0 million, determined with reference to a benchmark of group profit before tax, normalised to exclude this year's share-based compensation, M&A and IPO related costs resulting from the listing, as disclosed in note 4, of USD 92.4 million (of which it represents 4.3%).

Materiality for the parent company financial statements as a whole was set at USD 3.4 million, determined with reference to a benchmark of company total assets, of which it represents 0.2%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding USD 0.2 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 16 reporting components, we subjected 5 to full scope audits for group purposes. The components within the scope of our work accounted for the following percentages of the group's results:

| | Group revenue | Group profit before tax | Group total assets |
|---|---|---|---|
| Audits for group reporting purposes | 90.6% | 88.0% | 92.6% |

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from USD 1.2 million to USD 3.4 million, having regard to the mix of size and risk profile of the Group across the components.

The Group team visited 2 component locations in UAE and Jordan. Video and telephone conference meetings were also held with these component auditors and others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The work on 4 of the 5 components was performed by component auditors and the audit of the parent company and consolidation was performed by the Group team.

The remaining 9.4% of total group revenue, 12.0% of group profit before tax and 7.4% of total group assets is represented by 11 reporting components, none of which individually represented more than 6% of any of total group revenue, group profit before tax or total group assets.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

**4. We have nothing to report on going concern**
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:
- The impact of a significant reduction in profitability arising from one, or a combination of, the principal risks outlined in the Group's strategic report on page 52;
- Significant unexpected outflows associated with chargebacks on merchant failure.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts.

Based on this work, we are required to report to you if:
- we have anything material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 154 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

# Independent Auditor's Report to the Members of Network International Holdings Plc continued

**5. We have nothing to report on the other information in the Annual Report**
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Strategic report and directors' report**
Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Directors' remuneration report**
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Disclosures of emerging and principal risks and longer-term viability**
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the directors' confirmation within the Viability Statement on page 136 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

**Corporate governance disclosures**
We are required to report to you if:
- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

**6. We have nothing to report on the other matters on which we are required to report by exception**
Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**7. Respective responsibilities**
**Directors' responsibilities**
As explained more fully in their statement set out on page 134, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**
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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Irregularities – ability to detect**
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non- compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, and certain aspects of company legislation recognising the regulated nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non- compliance and cannot be expected to detect non-compliance with all laws and regulations.

**8. The purpose of our audit work and to whom we owe our responsibilities**
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Harper (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants 15 Canada Square London
United Kingdom, E14 5GL
8 March 2020

# Consolidated Statement of Financial Position
as at 31 December

| | Notes | 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Property and equipment | 7 | **57,397** | 54,489 |
| Intangible assets and goodwill | 8 | **448,797** | 409,007 |
| Investment in an associate | 9 | **54,432** | 51,856 |
| Investment securities | | **246** | 246 |
| Long term receivables | | **2,533** | 740 |
| **Total non-current assets** | | **563,405** | 516,338 |
| *Current assets* | | | |
| Scheme debtors | 10 | **182,831** | 222,693 |
| Receivables and prepayments | 11 | **89,254** | 73,848 |
| Restricted cash | 12 | **54,029** | 71,896 |
| Cash and cash equivalents | 12 | **43,754** | 60,275 |
| Assets held for sale | 16 | **3,664** | 4,417 |
| **Total current assets** | | **373,532** | 433,129 |
| **Total assets** | | **936,937** | 949,467 |
| **Liabilities** | | | |
| *Non-current liabilities* | | | |
| Borrowings | 15 | **211,783** | 280,802 |
| Other long term liabilities | 17 | **24,379** | 23,188 |
| Deferred tax liabilities | 24.2 | **1,788** | 2,324 |
| **Total non-current liabilities** | | **237,950** | 306,314 |
| *Current liabilities* | | | |
| Merchant creditors | 10 | **167,167** | 185,523 |
| Trade and other payables | 14 | **127,284** | 115,809 |
| Borrowings | 15 | **165,661** | 148,457 |
| Liabilities held for sale | 16 | **169** | 1,668 |
| **Total current liabilities** | | **460,281** | 451,457 |
| **Shareholders' equity** | | | |
| Share capital | 18 | **65,100** | 1,559,796 |
| Share premium | 18 | **–** | 6,184 |
| Foreign exchange reserve | 18 | **(20,115)** | (23,275) |
| Reorganisation reserve | 18 | **(1,552,365)** | (1,552,365) |
| Other reserves | 18 | **5,851** | 7,543 |
| Retained earnings | | **1,742,096** | 195,028 |
| **Equity attributable to equity holders** | | **240,567** | 192,911 |
| **Non-controlling interest** | | **(1,861)** | (1,215) |
| **Total shareholders' equity** | | **238,706** | 191,696 |
| **Total liabilities and shareholders' equity** | | **936,937** | 949,467 |

The notes on pages 150 to 193 form part of these consolidated financial statements.

These consolidated financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Simon Haslam**
Director and Chief Executive Officer
08 March 2020



# Consolidated Statement of Profit or Loss
for the year ended 31 December

| | Notes | 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 19 | **334,906** | 297,935 |
| Personnel expenses | 20 | **(95,178)** | (88,084) |
| Selling, operating and other expenses | 21 | **(107,751)** | (85,455) |
| Depreciation and amortisation | 7,8 | **(46,789)** | (34,572) |
| Impairment losses on assets | 7,8 | **–** | (17,945) |
| Share of profit of an associate | 9 | **5,299** | 3,325 |
| **Profit before interest and tax** | | **90,487** | 75,204 |
| Net interest expense | 22 | **(24,844)** | (20,159) |
| Gain on disposal of investment securities | | **–** | 2,648 |
| **Profit before tax** | | **65,643** | 57,693 |
| **Taxes** | 24 | **(6,632)** | (10,956) |
| **Profit from continuing operations** | | **59,011** | 46,737 |
| **Discontinued operations** | | | |
| Loss from discontinued operations, net of taxes | 16 | **(2,053)** | (23,317) |
| **Profit for the year** | | **56,958** | 23,420 |
| **Attributable to:** | | | |
| Equity holders of the Group | | **57,604** | 26,235 |
| Non-controlling interest | | **(646)** | (2,815) |
| **Profit for the year** | | **56,958** | 23,420 |
| Earnings per share (basic and diluted) in USD cents | 23 | **11.5** | 5.2 |
| Earnings per share – Continuing operations (basic and diluted) in USD cents | 23 | **11.8** | 9.3 |

The notes on pages 150 to 193 form part of these consolidated financial statements.

# Consolidated Statement of other Comprehensive Income
## for the year ended 31 December

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Profit for the year** | **56,958** | 23,420 |
| **Other comprehensive income** | | |
| *Items that may subsequently be reclassified to profit or loss* | | |
| Foreign currency translation difference on foreign operations | **3,160** | 6,414 |
| *Items that will never be reclassified to profit or loss* | | |
| Re-measurement of defined benefit liability | **(1,692)** | 268 |
| **Net change in other comprehensive income** | **1,468** | 6,682 |
| **Total comprehensive income for the year** | **58,426** | 30,102 |
| **Attributable to:** | | |
| Equity holders of the Group | **59,072** | 32,917 |
| Non-controlling interest | **(646)** | (2,815) |
| **Total comprehensive income** | **58,426** | 30,102 |

The notes on pages 150 to 193 form part of these consolidated financial statements.



# Consolidated Statement of Changes in Equity
## for the year ended 31 December

| | Share capital | Share premium | Foreign exchange reserve | Reorganisation reserve | Other reserves | Retained earnings | Equity attributable to equity holders | Non-controlling interest | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | USD'000 | | | | |
| **As at 1 January 2019** | **1,559,796** | **6,184** | **(23,275)** | **(1,552,365)** | **7,543** | **195,028** | **192,911** | **(1,215)** | **191,696** |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 57,604 | 57,604 | (646) | 56,958 |
| **Other comprehensive income for the year:** | | | | | | | | | |
| Foreign currency translation differences | - | - | 3,160 | - | - | - | 3,160 | - | 3,160 |
| Re-measurement of defined benefit liability | - | - | - | - | (1,692) | - | (1,692) | - | (1,692) |
| **Total other comprehensive income for the year** | - | - | 3,160 | - | (1,692) | - | 1,468 | - | 1,468 |
| **Total comprehensive income for the year** | - | - | 3,160 | - | (1,692) | 57,604 | 59,072 | (646) | 58,426 |
| Capital reduction | (1,494,696) | (6,184) | - | - | - | 1,500,880 | - | - | - |
| Purchase of treasury shares | - | - | - | - | - | (12,821) | (12,821) | - | (12,821) |
| Share based payment reserve | - | - | - | - | - | 1,405 | 1,405 | - | 1,405 |
| **As at 31 December 2019** | **65,100** | **-** | **(20,115)** | **(1,552,365)** | **5,851** | **1,742,096** | **240,567** | **(1,861)** | **238,706** |

The notes on pages 150 to 193 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity continued
for the year ended 31 December

| | Share capital | Share premium | Foreign exchange reserve | Reorganisation reserve | Other reserves | Retained earnings | Equity attributable to equity holders | Non-controlling interest | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | USD'000 | | | | | | | | |
| **As at 1 January 2018** | 1,559,796 | 6,184 | (29,689) | (1,552,365) | 11,344 | 259,147 | 254,417 | 1,600 | 256,017 |
| Impact of adopting IFRS 9 at 1 January 2018 | – | – | – | – | (4,364) | 955 | (3,409) | – | (3,409) |
| Impact of adopting IFRS 16 at 1 January 2018 | – | – | – | – | – | 343 | 343 | – | 343 |
| **Restated balance at 1 January 2018** | 1,559,796 | 6,184 | (29,689) | (1,552,365) | 6,980 | 260,445 | 251,351 | 1,600 | 252,951 |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | – | – | – | – | – | 26,235 | 26,235 | (2,815) | 23,420 |
| **Other comprehensive income for the year:** | | | | | | | | | |
| Foreign currency translation differences | – | – | 6,414 | – | – | – | 6,414 | – | 6,414 |
| Disposal of re-measurement of defined benefit plan | – | – | – | – | 50 | (50) | – | – | – |
| Re-measurement of defined benefit liability | – | – | – | – | 268 | – | 268 | – | 268 |
| **Total other comprehensive income for the year** | – | – | 6,414 | – | 318 | (50) | 6,682 | – | 6,682 |
| **Total comprehensive income for the year** | – | – | 6,414 | – | 318 | 26,185 | 32,917 | (2,815) | 30,102 |
| Transferred to statutory reserve | – | – | – | – | 245 | (245) | – | – | – |
| Director's fees* | – | – | – | – | – | (1,500) | (1,500) | – | (1,500) |
| Dividends paid | – | – | – | – | – | (89,857) | (89,857) | – | (89,857) |
| **As at 31 December 2018** | 1,559,796 | 6,184 | (23,275) | (1,552,365) | 7,543 | 195,028 | 192,911 | (1,215) | 191,696 |

* Director's fees has have been disclosed under consolidated statement of changes in the comparative periods in line with the interpretation and provisions of the UAE laws.

The notes on pages 150 to 193 form part of these consolidated financial statements.



# Consolidated Statement of Cash Flows
for the year ended 31 December

| | Notes | 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year from operations[1] | | **56,958** | 23,420 |
| *Adjustments for:* | | | |
| Depreciation, amortisation and impairment | | **47,327** | 54,117 |
| Net interest expense | | **24,844** | 20,159 |
| Taxes | | **6,632** | 10,956 |
| Foreign exchange losses and others | | **6,477** | 5,826 |
| Loss on sale of assets | | **17** | 11,331 |
| Share of profits from an associate | | **(5,299)** | (3,325) |
| Charge for share based payment | | **1,404** | – |
| Changes in long term receivables and other liabilities | | **(4,986)** | 11,752 |
| Interest paid | | **(21,300)** | (19,898) |
| Taxes paid | | **(10,415)** | (5,420) |
| Director's fees paid | | **–** | (1,500) |
| Changes in working capital before settlement related balances[2] | | **(13,294)** | (2,575) |
| ***Net cash flows before settlement related balances*** | | **88,365** | 104,843 |
| Changes in settlement related balances[3] | | **42,828** | 12,685 |
| **Net cash flows from operating activities** | | **131,193** | 117,528 |
| **Investing activities** | | | |
| Purchase of intangible assets and property and equipment | | **(79,310)** | (68,470) |
| Dividends received from an associate | | **2,723** | 2,741 |
| Interest received | | **1,093** | 1,644 |
| Disposal of investment securities | | **–** | 14,050 |
| Disposal of subsidiary | | **–** | 4,812 |
| **Net cash outflows from investing activities** | | **(75,494)** | (45,223) |
| **Financing activities** | | | |
| Proceeds from new borrowing | | **35,000** | – |
| Repayment of borrowing | | **(44,918)** | – |
| Purchase of treasury shares | | **(12,821)** | – |
| Payment of debt issuance cost | | **(2,903)** | – |
| Payment of lease liabilities | | **(4,394)** | (2,907) |
| Dividends paid | | **–** | (89,857) |
| **Net cash outflows from financing activities** | | **(30,036)** | (92,764) |
| **Net increase/(decrease) in cash and cash equivalents** | | **25,663** | (20,459) |
| Cash as part of held for sale | | **257** | (1,977) |
| Effect of movements in exchange rates on cash held | | **405** | (40) |
| **Cash and cash equivalents at the beginning of the year** | | **(42,466)** | (19,990) |
| **Cash and cash equivalents at the end of the year** | 12 | **(16,141)** | (42,466) |

1 The Group has elected to present a consolidated statement of cash flows in total i.e. including both continuing and discontinued operations. Cash flows related to discontinued operations are disclosed in note 16.
2 Changes in working capital before settlement related balances reflects movements in receivables and prepayments and trade and other payables adjusted for non-cash items.
3 Changes in settlement related balances reflects movement in scheme debtors, merchant creditors, restricted cash, and a related party payable.

# Notes to the Consolidated Financial Statements

**1. Legal status and activities**
Network International Holdings PLC ('the Company') listed its shares on the London Stock Exchange on 12 April 2019. The principal activities of the Group are enabling payments acceptance at merchants, acquirer processing, switching financial transactions, hosting cards and processing payment transactions and providing end to end management services, digital payment services.

The registered office of the Company is situated in England and Wales.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

These are the first consolidated financial statements of the Group following the reorganisation of the Group to facilitate the listing. The result of the application of the capital reorganisation is to present the consolidated financial statements (including comparatives) as if the Company has always owned the Group. The share capital structure of the Company as at the date of the Group reorganisation is pushed back to the first date of the comparative period (1 January 2018). A Group Reorganisation Reserve is created as a separate component of equity, representing the difference between the share capital of the Company at the date of the Group reorganisation and that of the previous top organisation of the Group, Network International LLC.

The principal steps of the Group reorganisation were as follows:
- On 27 February 2019, the Company was incorporated by Network International LLC for 100 ordinary shares of GBP 1 each.
- On 20 March 2019, Network International LLC transferred investment in Network International Holdings PLC to the shareholders.
- On 29 March 2019, the existing share capital of the Company comprising of 100 shares of GBP 1 each was split 10:1 into 1000 shares of GBP 0.10 each. Subsequently, on the same day, the Company issued 1,396 new shares of GBP 0.10 each for GBP 139/USD 180. This was followed by a share consolidation resulting in total share capital comprising of 100 shares of GBP 2.396/USD 3.119592 each. The net effect of this restructuring of capital was to increase the nominal value per share to GBP 2.396/USD 3.119592 for 100 shares outstanding.
- On 29 March 2019, the Company issued 499,999,900 shares to existing shareholders (254,999,949 to Emirates NBD PJSC and 244,999,951 to WP/GA) of par value GBP 2.396/USD 3.119592 per share in exchange for acquiring the shares of the subsidiary (Network International Holding 1 Limited) and the shareholder's receivables from Network International Holding 1 Limited. This resulted in the creation of share capital of USD 1,559,795,688 and share premium of USD 6,183,530 (being the difference between the carrying value of the shareholder's receivable of USD 13,614,704 and the corresponding nominal value of shares issued of USD 7,431,174).
- On 1 April 2019, the Company undertook a capital reduction by reducing the nominal value of its shares in issue from GBP 2.396/USD 3.119592 to GBP 0.1000 per share/USD 0.1302 and cancellation of share premium created above.

The capital reduction resulted in the creation of distributable reserves of USD 1,507,767,530. The difference in the GBP/USD foreign exchange rate between the date of share issuance and capital reduction resulted in the creation of a foreign exchange difference of USD 6,888,000, which would be considered as a realised loss and hence, has been netted off against the Company's retained earnings on the consolidated statement of financial position.

**2. Basis of preparation**
**(a) Statement of compliance**
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board as adopted by EU.

Included within these consolidated financial statements are Alternative Performance Measures ('APM') which are disclosed in note 4.

**(b) Basis of measurement**
The consolidated financial statements have been prepared under the historical cost basis except for the liability for defined benefit obligation, which is recognised at the present value of the defined benefit obligation and financial assets at fair value through profit or loss which are measured at fair value.

**(c) Functional and presentation currency**
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The presentation currency of the Group is United States Dollar ('USD') as this is a more globally recognised currency. All financial information presented in USD has been rounded to the nearest thousands, except when otherwise indicated.

**(d) Accounting judgements and estimates**
The preparation of consolidated financial statements in conformity with IFRS, as adopted by EU, requires Directors to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Critical accounting judgements**
Accounting judgements made by the Directors in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the consolidated financial statements, are as follows

i. Specially disclosed items
The Directors has exercised their judgement to identify one-off items, either income or expense in nature, and has separately disclosed these items as specially disclosed items ('SDIs') in the notes to the consolidated financial statements. The Directors consider the following key criteria when exercising their judgement to classify any items as SDI:
- Whether the item being considered is material and represents one-off/exceptional events that needs to be disclosed separately as SDIs; and
- Will it aid the user of the financial statements in understanding the activities taking place across the Group by enhancing the comparability of information between reporting periods.

The Directors classified these items under SDIs to compute underlying metrics (referred as Alternative Performance Measures in the Annual Report and notes to the consolidated financial statements) to assess the Group's underlying performance on a day-to-day basis, developing budgets and measuring performance against those budgets and in determining management remuneration. For further details on specially disclosed items, please refer to note 4 of these consolidated financial statements.

ii. Held for sale classification
The Directors has classified Mercury Payments Services LLC ('Mercury', a subsidiary of the Group) operations as discontinued operations during 2018 and continued to present the same in these consolidated financial statements for 31 December 2019.

Mercury was incorporated on 13 November 2016 in the United Arab Emirates ('UAE'). It was incorporated when Network International LLC ('Network', a subsidiary of the Group) and First Abu Dhabi Bank PJSC ('FAB') (formerly National Bank of Abu Dhabi PJSC) entered into an agreement to form a limited liability company which operates a domestic payment scheme. Network owns 70% shareholding while FAB holds the remaining 30% shareholding of the Company.

Mercury was classified as discontinued operation in 2018 because the Group's Board made a strategic decision to divest the scheme operation of the Group. As at 31 December 2018 there was limited judgement as to the classification as held for sale and discontinued operation as:
- the Group had a clear plan for sale of the business in its current state; and
- the business is a clearly separate major line of business, being the administration of a domestic scheme which is separate from the Group's core activities of Merchant Solutions and Issuer Solutions.

Notwithstanding the above, the Group did not conclude a successful sale of the business in 2019 despite making the efforts. Therefore, as at 31 December 2019, the Group conducted a detailed assessment to determine whether held for sale classification for Mercury remained valid after 12 months from its original classification in 2018, as per the guidance of IFRS 5 (Non-current assets held for sale and discontinued operations). This assessment included consideration of the factors that led to the sale not concluding, and the actions being taken by Directors in the current year. The Directors concluded that the relevant criteria in IFRS 5 were appropriately met, with the judgement being whether or not a sale within 12 months is still likely based upon the progress that has been made in the sale process during the last 12 months.

The carrying value prior to classification of disposal group as held for sale was USD 7.7 million which was reduced to USD Nil on initial recognition. Based on the latest status of the planned sales process, the Directors do not believe there is any material estimation uncertainty with regards to the carrying value of the disposal group of USD 3.5 million as at 31 December 2019.

# Notes to the Consolidated Financial Statements continued

**2. Basis of preparation** continued

Critical accounting estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Impairment review of goodwill and non-financial assets

Impairment testing requires the Directors to assess whether the carrying value of assets or a Cash Generating Unit ('CGU') can be supported by their recoverable amount (i.e. the greater of value in use or its fair value less costs to sell). An Impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Further details are included in note 8.1 'Intangible Assets' to the consolidated financial statements.

Goodwill

The Group performs an impairment assessment at least on an annual basis, and more regularly if impairment indicators exist (note that no impairment indicators were identified during the current year and therefore no additional impairment reviews were performed). This requires an estimation of the fair value less cost to sell of the CGU to which the goodwill is allocated.

The Group has identified Africa and Jordan as two separate CGUs of the Group. The key assumptions considered by the Group in identifying Africa and Jordan as a CGUs included the following:

- The CGUs considered by the Group are the smallest units that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- Africa and Jordan are the two separate units of the Group at which goodwill has been allocated.

To estimate the fair value of the CGUs, Directors prepared a model based on the budgeted EBITDA for 2020 for each of the CGUs, multiplied by observable EBITDA multiples based upon the recent payment industry average.

More details of the assumptions, recoverable amount and EBITDA multiple used in estimating the fair value in use of the CGUs to which goodwill is allocated, and sensitivity analysis are provided in note 8.1 of these consolidated financial statements.

ii. Employee benefits

The Group's net obligation in respect of defined benefit plans is calculated as the present value of the defined benefit obligation at the end of the reporting period. The present value of the net defined benefit pension obligation is dependent on a number of factors that are determined on an actuarial basis, using a number of assumptions. These assumptions include salary increments, discount rates, and retirement age and mortality rates. The Group's employee benefits obligation as at 31 December 2019 amounted to USD 10.9 million (2018: USD 8.5 million) as disclosed in note 17.1 under Other long term liabilities.

The following are the principal actuarial assumptions at the reporting date:

| | 31 December 2019 |
|---|---|
| Discount rate p.a. | **2.75%** |
| Pre-retirement non-death/disability termination rate p.a. | **10.0% until end-2020 going down by 0.5% each year to an ultimate rate of 7.5% p.a. from 2024 onward.** |
| Pre-retirement non-death/disability terminations as involuntary | **25%** |
| Salary escalation rate p.a. | **3.50%** |
| Involuntary termination rate p.a. | **Nil** |
| Retirement age | **60** |

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

| | (+) 0.5 percentage | (-) 0.5 percentage |
|---|---|---|
| **Discount rate p.a.** | **3.25%** | **2.25%** |
| *+/(–) in defined benefit obligation (in USD '000)* | *(463)* | *500* |
| **Salary escalation rate p.a.** | **4.00%** | **3.00%** |
| *+/(–) in defined benefit obligation (in USD '000)* | *504* | *(471)* |
| **Voluntary exit rate** | withdrawal rate 5% until end-2019 going down by 0.5% each year to an ultimate rate of 2.5% p.a. from 2024 onward | Withdrawal rate 15.0% until end-2019 going down by 0.5% each year to an ultimate rate of 12.5% p.a. from 2024 onward |
| *+/(–) in defined benefit obligation (in USD '000)* | *85* | *(428)* |

Non-critical judgements and estimates

Following are the accounting judgements and estimates that has been exercised and applied in these consolidated financial statements, but does not have most significant effect on the amounts recognised in these consolidated financial statements. The brief description of these accounting judgement and estimates and the rationale of not considering this a critical judgement and estimates are as follows:

i. Revenue recognition

The Group has certain non-transaction based project related revenue. The management applied judgement in measuring the progress of the project through internal process to recognise revenue based on the completion of the project. The project related revenue (where the Group applies its judgement in measuring the completion status of the project) is only 3% (2018: 3%) of the total Group's revenue and hence the Directors do not consider this as a critical accounting judgement that has most significant effect in preparing these consolidated financial statement.

ii. Impairment of loans and receivables

The Group is following the Simplified approach under IFRS 9 provisioning model for estimating the impairment of financial assets and according to it the Group measures the loss allowance at an amount equal to full lifetime expected credit losses.

The Group applies a provision matrix which uses historical loss experience for each trade receivables segment and adjust the historical loss rates for current conditions, and reasonable and supportable forecasts of future economic conditions. The Group has considered receivables outstanding for more than 180 days as default under IFRS 9. The expected credit loss recognised during the year amounted to USD 0.5 million (2018: USD 0.8 million).

Please refer to note 11 of these consolidated financial statements for the details of the provision made during the year.

The Directors have assessed the sensitivity of the various estimates used in computing the provision including considering changing probability of default ('PD') and macroeconomic factors used in the model and concluded that a reasonable possible change in assumptions would not have a material impact.

iii. Taxes

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters particularly on recognising deferred tax assets and uncertain tax position. Judgement and estimation involves in deferred tax mainly relates to the carried forward tax losses which is based on management assessment that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity against which these tax losses can be set off in the future.

Judgement and estimation involved in current tax accruals relates to uncertain tax position until a conclusion is reached with the relevant tax authority or through a legal process.

In the Directors' view, both the recognition of deferred taxes and corporate tax accrual are not considered critical judgement or estimate for these consolidated financial statements and it does not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

iv. Intangible assets and property and equipment – estimation of useful life

Intangible assets (excluding goodwill) and property and equipment represents 19.9% (2018: 15.5%) and 6.1% (2018: 5.7%) of the Group's total assets, respectively. Intangible assets and property and equipment are amortised/depreciated on a straight-line basis in the consolidated statement of profit or loss over their estimated useful lives (except for leased assets which are depreciated over the shorter of the lease term and their useful lives), from the date that they are available for use.

# Notes to the Consolidated Financial Statements continued

**2. Basis of preparation** continued

The useful life of these intangible assets and property and equipment depends on management's estimate of the period over which economic benefit will be derived from the asset. Directors assess the useful lives for these assets when they are acquired, based on their prior experience with similar assets and after considering the impact of other relevant factors such as any expected changes in technology. In Directors' view if any of these estimates related to useful life of intangible assets and property & equipment are revised during year ending on 31 December 2020, this is not expected to result in material adjustment to the carrying values of intangible assets. Hence estimates related to useful life of the intangible assets and property & equipment is not considered critical for the purpose of the consolidated financial statements.

**(e) Going concern**

The Group has made a profit of USD 57.0 million (2018: USD 23.4 million) with cash inflow from operating activities of USD 131.2 million (2018: USD 117.5 million) for the year and has a net asset position of USD 238.7 million as at 31 December 2019 (2018: USD 191.7 million). Furthermore, the Group meets its day-to-day working capital and financing requirements through its cash generated from operations and its bank facilities. Notwithstanding the net current liability position of the Group and the Company, the Directors have, based on the above, Group future business plan and other due considerations including available headroom on current financing facilities, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Consolidated Financial Statements. Accordingly, the consolidated financial statements have been prepared on going concern basis.

**(f) New standards and interpretations**

New standards and interpretations that are effective

The following amendments and interpretations apply for the first time in 2019, but do not have any significant impact on the consolidated financial statements.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

In addition to the above standards, IFRS 16 is also applicable from 1 January 2019, which the Group had early adopted with effect from 1 January 2018 and all the transitionary impacts were taken in the 2018 consolidated financial statements.

**3 Significant accounting policies**

Except as described in note 2 (f), the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The accounting policies below describe the basis of consolidation and foreign currencies accounting policies that relates to the consolidated financial statements as a whole. The other specific accounting policies are described in the note to which it relates.

**(a) Basis of consolidation**

**Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration paid by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or assumed and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Any Goodwill that arises is tested annually for impairment.

**i. Subsidiaries**

Subsidiaries are the entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement in the entity and has the ability to affect those returns through its powers over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**ii. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**iii. Non-controlling interests**

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the subsidiaries' identifiable net assets. They are presented as a separate item in the consolidated financial statements.

**iv. Loss of control**

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or in accordance with Group accounting policy for financial instruments depending on the level of influence retained.

**(b) Foreign currencies**

**i. Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

The foreign currency gains or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss, except for investment securities designated at fair value through other comprehensive income, where the exchange translation is recognised in the consolidated statement of other comprehensive income.

**ii. Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions or an appropriate average rate. Equity elements are translated at the date of the transaction and not retranslated in subsequent periods.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ('foreign exchange reserve') in equity. However, if the foreign 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 entirely or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements continued

**4. Alternative performance measures**

The Group uses these Alternative Performance Measures to enhance the comparability of information between reporting periods either by adjusting for uncontrollable or one-offs items, to aid the user of the financial statements in understanding the activities taking place across the Group. In addition these alternative measures are used by the Group as key measures of assessing the Group's underlying performance on day-to-day basis, developing budgets and measuring performance against those budgets and in determining management remuneration.

### 4.1 Specially disclosed items

Specially disclosed items are items of income or expenses that have been recognised in a given period which management believes, due to their materiality and being one-off/exceptional in nature, should be disclosed separately, to give a more comparable view of the period-to-period underlying financial performance.

The table below presents a breakdown of the specially disclosed items for each of the years ended 31 December 2019 and 2018.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Items affecting EBITDA** | | |
| Reorganisation, restructuring and settlements[1] | **2,132** | 3,375 |
| Share-based compensation[2] | **10,679** | 10,907 |
| M&A and IPO related costs[3] | **16,111** | 3,681 |
| Other one-off items[4] | **1,894** | 3,377 |
| **Total specially disclosed items affecting EBITDA** | **30,816** | 21,340 |
| **Items affecting Net Income** | | |
| Amortisation related to IT transformation[5] | **10,735** | 5,499 |
| Amortisation of acquired intangibles[6] | **4,202** | 4,204 |
| Tax expense for legacy matters | **–** | 4,364 |
| **Total specially disclosed items affecting net income** | **14,937** | 14,067 |
| **Total specially disclosed items** | **45,753** | 35,407 |

1 Includes non-recurring costs that arise from one-off initiatives to reduce the ongoing cost base and improve the efficiency of the business (USD 2.1 million for the year ended 31 December 2019 and USD 1.8 million for the year ended 31 December 2018) and significant one-off settlements with third parties (Nil for the year ended 31 December 2019 and USD 1.6 million for the year ended 31 December 2018).
2 Includes charge for the year in relation to the Management Incentive Award Plan, IPO Cash Bonus, and Long Term Incentive Plan, all of which were specific one-off payments relating to the listing.
3 These are one-off expenses incurred in relation to the Initial Public Offering including fees paid to various advisors.
4 Includes items that do not fit into any other categories above and primarily relates to unrealised loss/(gain) from re-measurement of foreign currency denominated assets or liabilities (USD 1.8 million for the year ended 31 December 2019 and USD (0.5) million for the year ended 31 December 2018). It also includes provisions against unrecoverable balances and settlement accruals (USD 0.9 million for the year ended 31 December 2019 and USD 3.9 million for the year ended 31 December 2018) and netted off by one-off recoveries and dividend from visa shares (USD 0.8 million for the year ended 31 December 2019). The unrealised foreign currency gains and losses arose mainly from the significant volatility in the EGP-USD exchange rates over the last few years, caused by macroeconomic challenges in Egypt including high inflationary pressure and short-term restrictions on foreign currency remittances. The resultant gains and losses do not represent the core performance of operations of the Group and hence have been shown as specially disclosed items to provide a better view of the underlying performance of the business.
5 Includes amortisation of capitalised costs associated with the significant one-off IT transformation programme that the Group has undertaken over the last few years. This includes development of a new card management platform (including costs related to migration from legacy platforms), the Group's own proprietary payment gateway, and a significant one-off upgrade to the switching system. The spend on the IT transformation programme is truly one-off in nature and is not expected to be incurred again for a considerable period of time. The total capex incurred to date on this programme is significantly higher than spends on any other programme that the Group has undertaken in the past or will undertake in the foreseeable future. The amortisation of incremental capital expenditure that will be incurred on the ongoing maintenance of the platform including hardware upgrades and enhancement of functional capabilities, will be treated as part of the core operations of the business and not included within specially disclosed items.
6 Amortisation charge on the intangible assets recognised in the Group's consolidated statement of financial position as part of the Group's acquisition of Emerging Market Payments Services ('EMP') in 2016.

### 4.2 Underlying EBITDA

Underlying EBITDA is defined as earnings from continuing operations before interest, taxes, depreciation and amortisation, impairment losses on assets, gain on sale of investment securities, share of depreciation of an associate and specially disclosed items affecting EBITDA. The table below presents a reconciliation of the Group's reported profit from continuing operations to underlying EBITDA for each of the years ended 31 December 2019 and 2018.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Profit from continuing operations | **59,011** | 46,737 |
| Depreciation and amortisation | **46,789** | 34,572 |
| Impairment losses on assets | **–** | 17,945 |
| Net Interest expense | **24,844** | 20,159 |
| Taxes | **6,632** | 10,956 |
| Gain on disposal of investment securities | **–** | (2,648) |
| Share of depreciation from an associate | **4,222** | 2,978 |
| Specially disclosed items affecting EBITDA | **30,816** | 21,340 |
| **Underlying EBITDA** | **172,314** | 152,039 |

### 4.3 Underlying EBITDA margin excluding share of an associate

Underlying EBITDA margin excluding share of an associate represents the Group's underlying EBITDA margin which is considered by the Group to give a more comparable view of period-to-period EBITDA margins.

The table below presents a computation of the Group's underlying EBITDA margin, which is defined as underlying EBITDA before share of an associate divided by the revenue.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Revenue** | **334,906** | 297,935 |
| **Underlying EBITDA** | **172,314** | 152,039 |
| Share of EBITDA of an associate | **(9,521)** | (6,303) |
| **Underlying EBITDA before share of an associate** | **162,793** | 145,736 |
| **Underlying EBITDA margin excluding share of an associate** | **48.6%** | 48.9% |

### 4.4 Underlying net income

Underlying net income represents the Group's profit from continuing operations adjusted for impairment losses on assets, gain on disposal of investment securities and specially disclosed items. Underlying net income is considered by the Group to give a more comparable view of period-to-period profitability.

The table below presents a reconciliation of the Group's reported profit from continuing operations to underlying net income for each of the years ended 31 December 2019 and 2018.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Profit from continuing operations** | **59,011** | 46,737 |
| Impairment losses on assets | **–** | 17,945 |
| Gain on disposal of investment securities | **–** | (2,648) |
| Specially disclosed items affecting EBITDA (refer to note 4.1) | **30,816** | 21,340 |
| Specially disclosed items affecting net income (refer to note 4.1) | **14,937** | 14,067 |
| **Underlying net income** | **104,764** | 97,441 |
| Taxes (excluding taxes for legacy matters) | **6,632** | 6,592 |
| **Underlying net income before tax** | **111,396** | 104,033 |

# Notes to the Consolidated Financial Statements continued

**4. Alternative performance measures** continued

### 4.5 Underlying earnings per share ('EPS')

The Group's underlying EPS is defined as the underlying net income (as explained above) divided by the numbers of ordinary shares the end of the relevant financial year.

| | 2019 | 2018 |
|---|---|---|
| **Underlying net income (USD '000)** | **104,764** | 97,441 |
| **Number of shares ('000)** | **500,000** | 500,000 |
| **Underlying earnings per share (USD cents)** | **21.0** | 19.5 |

### 4.6 Capital expenditure

The table below provides the split of total capital expenditure into the IT transformation programme, growth and maintenance capital expenditure for 2019 and 2018. Growth and maintenance capital expenditure collectively are referred to as capital expenditure (ex. IT transformation).

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Total capital expenditure | **83,971** | 66,102 |
| **Capital expenditure (ex. IT transformation)** | **45,368** | 34,538 |
| of which is growth capital expenditure | **19,937** | 16,500 |
| of which is maintenance capital expenditure | **25,431** | 18,038 |
| **IT transformation capital expenditure** | **38,603** | 31,564 |

### 4.7 Underlying free cash flow

Underlying free cash flow is calculated as underlying EBITDA adjusted for changes in working capital before settlement related balances, taxes paid, maintenance capital expenditure and growth capital expenditure. The Group uses underlying free cash flow as an operating performance measure that helps management determine the conversion of underlying EBITDA to underlying free cash flow.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Underlying EBITDA** | **172,314** | 152,039 |
| Changes in working capital before settlement related balances | **(13,294)** | (2,575) |
| Taxes paid | **(10,415)** | (5,420) |
| Maintenance capital expenditure | **(25,431)** | (18,038) |
| Growth capital expenditure | **(19,937)** | (16,500) |
| **Underlying free cash flow** | **103,237** | 109,506 |

### 4.8 Underlying effective tax rate

The Group's underlying effective tax rate is defined as the underlying taxes as a percentage of the Group's underlying net income before tax. The underlying effective tax rate for the Group for 2019 and 2018 was 6.0% and 6.3%, respectively.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Underlying net income before tax** | **111,396** | 104,033 |
| Taxes (excluding taxes for legacy matters, included in SDI) | **6,632** | 6,592 |
| **Underlying effective tax rate** | **6.0%** | 6.3% |

**5. Segment reporting**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (Network Leadership Team) and the Board of Directors to allocate resources and assess performance. For each identified operating segment, the Group has disclosed information that is assessed internally to review and steer performance.

The Group manages its business operations on a geographic basis and reports two operating segments, i.e. i) Middle East and ii) Africa. The Group reviews and manages the performance of these segments based on total revenue and contribution for each operating segment.

Contribution is defined as segment revenue less operating costs (personnel cost and selling, operating and other expenses) that can be directly attributed to or controlled by the segments. Contribution does not include allocation of shared costs that are managed at group level and hence shown separately under central function costs.

### 31 December 2019

| | Middle East | Africa | Central functions | Total |
|---|---|---|---|---|
| ***Statement of profit or loss*** | | USD'000 | | |
| **Revenue** | **244,360** | **90,546** | **–** | **334,906** |
| **Contribution** | **179,580** | **63,964** | **–** | **243,544** |
| *Contribution margin (%)* | **73.5%** | **70.6%** | **–** | **72.7%** |
| Central functions costs | **–** | **–** | **(80,751)** | **(80,751)** |
| Specially disclosed items affecting EBITDA | **–** | **–** | **(30,816)** | **(30,816)** |
| Depreciation and amortisation | **–** | **–** | **(46,789)** | **(46,789)** |
| Share of profit of an associate | **–** | **–** | **5,299** | **5,299** |
| Net interest expense | **–** | **–** | **(24,844)** | **(24,844)** |
| Taxes | **–** | **–** | **(6,632)** | **(6,632)** |
| **Profit from continuing operations** | | | | **59,011** |

| | Middle East | Africa | Corporate/ Consolidation | Total |
|---|---|---|---|---|
| ***Statement of financial position*** | | USD'000 | | |
| **Current assets** | **226,585** | **29,103** | **117,844** | **373,532** |
| **Non-current assets** | **42,321** | **2,108** | **518,976** | **563,405** |
| **Total assets** | **268,906** | **31,211** | **636,820** | **936,937** |
| **Current liabilities** | **205,167** | **10,357** | **244,757** | **460,281** |
| **Non-current liabilities** | **11,722** | **–** | **226,228** | **237,950** |
| **Total liabilities** | **216,889** | **10,357** | **470,985** | **698,231** |

# Notes to the Consolidated Financial Statements continued

**5. Segment reporting** continued

**31 December 2018**

| *Statement of profit or loss* | Middle East | Africa | Central functions | Total |
|---|---|---|---|---|
| | USD'000 | | | |
| **Revenue** | 223,822 | 74,113 | – | 297,935 |
| **Contribution** | 163,887 | 52,358 | – | 216,245 |
| *Contribution margin (%)* | 73.2% | 70.6% | – | 72.6% |
| Central functions costs | – | – | (70,509) | (70,509) |
| Specially disclosed items affecting EBITDA | – | – | (21,340) | (21,340) |
| Depreciation and amortisation | – | – | (34,572) | (34,572) |
| Impairment losses on assets | – | – | (17,945) | (17,945) |
| Share of profit of an associate | – | – | 3,325 | 3,325 |
| Net interest expense | – | – | (20,159) | (20,159) |
| Gain on disposal of investment securities | – | – | 2,648 | 2,648 |
| Taxes | – | – | (10,956) | (10,956) |
| **Profit from continuing operations** | | | | 46,737 |

| *Statement of financial position* | Middle East | Africa | Corporate/ Consolidation | Total |
|---|---|---|---|---|
| | USD'000 | | | |
| **Current assets** | 263,776 | 22,560 | 146,793 | 433,129 |
| **Non-current assets** | 39,169 | 660 | 476,509 | 516,338 |
| **Total assets** | 302,945 | 23,220 | 623,302 | 949,467 |
| **Current liabilities** | 227,676 | 8,800 | 214,981 | 451,457 |
| **Non-current liabilities** | 9,986 | – | 296,328 | 306,314 |
| **Total liabilities** | 237,662 | 8,800 | 511,309 | 757,771 |

**Middle East**

The Group's primary market in the Middle East region is UAE whereas the second most significant market is Jordan. In both the markets, the Group provides Merchant Acquiring, Acquirer Processing and Issuer Solutions services to various financial and non-financial institutional clients.

**Africa**

Under Africa region, the Group's key sub-markets are North Africa, Sub-Saharan Africa and Southern Africa.

(i) North Africa

One of the most significant markets in North Africa is Egypt. The Group currently provide services to several of Egypt's leading financial institutions, for both their Merchant Acquiring and Issuer Solution needs. North Africa contributed 47% of the total Africa Revenue in 2019 (2018: 46%).

(ii) Sub-Saharan Africa

One of the most significant markets in sub-Saharan Africa is Nigeria where the Group has an established presence in Nigeria serving several of Nigeria's leading financial institutions, mainly providing Issuer Processing services. Sub-Saharan Africa contributed 32% of the total Africa Revenue in 2019 (2018: 34%).

(iii) Southern Africa

The significant market in Southern Africa is South Africa, where the Group provides retail processing services. South Africa contributed 21% of the total Africa Revenue in 2019 (2018: 20%).

**Major Customer**

The Group's major customer is Emirates NBD PJSC whose revenue accounts for approximately 18.1% (2018: 16.2%) of the total Group revenue (refer to note 13).

All of the revenue of Emirates NBD PJSC comes from Issuer Solutions and is under the Middle East segment.

**6. Business combination and disposals**

**6.1 Network International Investment Pte. Ltd.**

On 29 October 2012, the Group through its subsidiary Network International Investment Pte. Ltd., ('NIIPL') entered into an agreement to purchase 75% shareholding of TimesOfMoney Private Limited, ('ToM') for a consideration of USD 49.2 million. For the remaining 25%; the Group entered into a call-put option agreement with the buyer, which the Group had exercised in 2016 and acquired remaining stake at a consideration of USD 21.7 million.

The Group disposed of ToM in various stages and the last part of the business (software business division) was disposed of in November 2018 at a consideration of USD 4.8 million. Accordingly, in 2018, the Group recognised a resultant loss of USD 4.3 million in the consolidated statement of profit or loss. Further, upon disposal, unrealised foreign exchange loss previously recognised in the OCI, amounting to USD 8.3 million, has been reclassified to the consolidated statement of profit or loss in 2018.

There has been no acquisition or disposal during the year.

**6.2 Mercury Payments Services LLC ('Mercury')**

On 13 November 2016, the Group entered into an agreement with First Abu Dhabi Bank (previously known as National Bank of Abu Dhabi PJSC ('NBAD')) to form a limited liability company, Mercury Payments Services LLC. Mercury operates the 'Mercury' payment scheme in UAE which is a domestic payment card network that permits members to issue cards on network and to acquire transactions on such network and offers other Value Added Services.

During 2018, the Group classified Mercury as discontinued operations (the Group also assessed the carrying amount for impairment and written off its entire carrying amount in 2018) and continued to classify as discontinued operation as at 31 December 2019 in line with the guidance of IFRS 5. Please refer to note 16 for details on discontinued operations.

**6.3 Network International Investment Holding Limited (previously known as Emerging Markets Payments Holding (Mauritius) Limited)**

On 1 March 2016, the Group entered into an agreement to purchase 100% shareholding of Network International Investment Holding Limited for a consideration of USD 255.8 million. The Group had recognised a goodwill amounting to USD 260.1 million (refer to note 8 for details).

**7. Property and equipment**

**Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct employee cost, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

**Subsequent costs**

The cost of replacing part of an item of property or 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 costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

**Depreciation**

Depreciation is recognised in consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

| | Years |
|---|---|
| Leasehold improvements | 3 – 10 |
| Furniture and fixtures | 3 – 10 |
| Office equipment | 3 – 5 |
| Building | 20 – 50 |
| Computer hardware | 3 – 10 |

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. The differences are included in the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements continued

**7. Property and equipment** continued

| | Land and building | Right of use asset | Leasehold improvement, furniture and fixtures | Computer and office equipment | Capital work In progress ('CWIP') | Total |
|---|---|---|---|---|---|---|
| | | | USD'000 | | | |
| **2019** | | | | | | |
| **Cost** | | | | | | |
| Balance as at 1 January 2019 | **5,729** | **9,917** | **4,169** | **127,086** | **12,962** | **159,863** |
| Additions | **–** | **–** | **1,519** | **6,580** | **7,614** | **15,713** |
| Disposals | **–** | **–** | **(23)** | **(2,701)** | **–** | **(2,724)** |
| Transfers from CWIP | **–** | **–** | **112** | **11,873** | **(11,985)** | **–** |
| Transfers to intangibles | **–** | **–** | **–** | **–** | **(1,319)** | **(1,319)** |
| Transfers from intangibles | **–** | **–** | **45** | **–** | **–** | **45** |
| Right of use asset additions during the year | **–** | **6,563** | **–** | **–** | **–** | **6,563** |
| Effects of change in foreign exchange | **–** | **930** | **24** | **(50)** | **(1,105)** | **(201)** |
| As at 31 December 2019 | **5,729** | **17,410** | **5,846** | **142,788** | **6,167** | **177,940** |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January 2019 | **684** | **1,858** | **3,559** | **96,005** | **3,268** | **105,374** |
| Charge for the year | **57** | **–** | **582** | **14,775** | **–** | **15,414** |
| Disposals | **–** | **–** | **(17)** | **(2,690)** | **–** | **(2,707)** |
| Depreciation on right of use asset | **–** | **3,004** | **–** | **–** | **–** | **3,004** |
| Effects of change in foreign exchange | **–** | **87** | **31** | **(660)** | **–** | **(542)** |
| Balance as at 31 December 2019 | **741** | **4,949** | **4,155** | **107,430** | **3,268** | **120,543** |
| **Carrying Value** | **4,988** | **12,461** | **1,691** | **35,358** | **2,899** | **57,397** |
| **2018** | | | | | | |
| **Cost** | | | | | | |
| Balance as at 1 January 2018 | 5,739 | – | 4,175 | 113,121 | 12,047 | 135,082 |
| Additions | – | – | 47 | 6,465 | 17,399 | 23,911 |
| Disposals | – | – | – | (102) | – | (102) |
| Transfers from CWIP | – | – | 15 | 10,743 | (10,758) | – |
| Transfers to intangibles | – | – | – | – | (5,769) | (5,769) |
| Right of use asset | – | 9,917 | – | – | – | 9,917 |
| Reclassified as held for sale | – | – | (59) | (2,683) | – | (2,742) |
| Effects of change in foreign exchange | (10) | – | (9) | (458) | 43 | (434) |
| As at 31 December 2018 | 5,729 | 9,917 | 4,169 | 127,086 | 12,962 | 159,863 |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January 2018 | 612 | – | 3,436 | 85,482 | – | 89,530 |
| Charge for the year | 68 | – | 255 | 13,682 | – | 14,005 |
| Disposals | – | – | – | (102) | – | (102) |
| Depreciation on right of use asset | – | 1,858 | – | – | – | 1,858 |
| Reclassified as held for sale | – | – | (30) | (2,229) | – | (2,259) |
| Impairment loss | – | – | – | – | 3,268 | 3,268 |
| Effects of change in foreign exchange | 4 | – | (102) | (828) | – | (926) |
| Balance as at 31 December 2018 | 684 | 1,858 | 3,559 | 96,005 | 3,268 | 105,374 |
| **Carrying Value** | 5,045 | 8,059 | 610 | 31,081 | 9,694 | 54,489 |

**8. Intangible assets and goodwill**

**Goodwill**

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

**Acquired intangibles**

At the date of acquisition of a subsidiary or associate, intangible assets that are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Group, and are amortised on the basis of their expected useful lives. At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

The estimated useful lives are as follows:

| | Years |
|---|---|
| Customer Relationship | 6-7 |
| Brands | Indefinite |

**Other intangible assets**

Except for goodwill and acquired intangible assets, all other intangible assets are amortised on a straight-line basis in the consolidated statement of profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

| | Years |
|---|---|
| Computer Software | 4-10 |

Computer software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment loss (if any).

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

**Research and Development costs**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of profit or loss as incurred. 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, staff salaries, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the consolidated statement of profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

**Capital work in progress ('CWIP')**

Capital work in progress represents spends related to the assets that are under development and are classified as such until the completion of the development work and are ready for use. Once put to use, these assets are amortised in line with the applicable Group accounting policy. These assets includes primarily spends related to the development of payment gateway, upgrade of switching system, development of data analytics platform and various other product capabilities.

# Notes to the Consolidated Financial Statements continued

**8. Intangible assets and goodwill** continued

| 2019 | Goodwill* | Computer software | Customer contracts | Brands | CWIP | Total |
|---|---|---|---|---|---|---|
| | | | USD'000 | | | |
| **Cost** | | | | | | |
| Balance as at 1 January 2019 | **262,307** | **162,313** | **32,397** | **3,214** | **59,773** | **520,004** |
| Additions | **–** | **5,838** | **–** | **–** | **62,420** | **68,258** |
| Disposal/Utilisation | **–** | **(284)** | **–** | **(434)** | **–** | **(718)** |
| Transfers from CWIP | **–** | **63,497** | **–** | **–** | **(63,497)** | **–** |
| Transfers from property and equipment | **–** | **1,319** | **–** | **–** | **–** | **1,319** |
| Transfers to property and equipment | **–** | **–** | **–** | **–** | **(45)** | **(45)** |
| Effects of change in foreign exchange | **254** | **314** | **–** | **–** | **(1,653)** | **(1,085)** |
| As at 31 December 2019 | **262,561** | **232,997** | **32,397** | **2,780** | **56,998** | **587,733** |
| **Amortisation and impairment** | | | | | | |
| Balance at 1 January 2019 | **–** | **56,935** | **14,777** | **433** | **38,852** | **110,997** |
| Charge for the year | **–** | **24,062** | **4,309** | **–** | **–** | **28,371** |
| Disposal/Utilisation | **–** | **(285)** | **–** | **(433)** | **–** | **(718)** |
| Effects of change in foreign exchange | **–** | **286** | **–** | **–** | **–** | **286** |
| Balance as at 31 December 2019 | **–** | **80,998** | **19,086** | **–** | **38,852** | **138,936** |
| **Carrying Value** | **262,561** | **151,999** | **13,311** | **2,780** | **18,146** | **448,797** |

| 2018 | Goodwill* | Computer software | Customer contracts | Brands | CWIP | Total |
|---|---|---|---|---|---|---|
| | | | USD'000 | | | |
| **Cost** | | | | | | |
| Balance as at 1 January 2018 | 262,329 | 65,915 | 32,483 | 3,285 | 115,429 | 479,441 |
| Additions | – | 4,119 | – | – | 38,071 | 42,190 |
| Transfers from CWIP | – | 93,902 | – | – | (93,902) | – |
| Transfers from property and equipment | – | 5,769 | – | – | – | 5,769 |
| Reclassified as held for sale | – | (7,649) | – | – | – | (7,649) |
| Effects of change in foreign exchange | (22) | 257 | (86) | (71) | 175 | 253 |
| As at 31 December 2018 | 262,307 | 162,313 | 32,397 | 3,214 | 59,773 | 520,004 |
| **Amortisation and impairment** | | | | | | |
| Balance at 1 January 2018 | – | 42,987 | 10,174 | 295 | 24,175 | 77,631 |
| Charge for the year | – | 14,793 | 4,507 | 199 | – | 19,499 |
| Impairment loss | – | – | – | – | 14,677 | 14,677 |
| Reclassified as held for sale | – | (1,080) | – | – | – | (1,080) |
| Effects of change in foreign exchange | – | 235 | 96 | (61) | – | 270 |
| Balance as at 31 December 2018 | – | 56,935 | 14,777 | 433 | 38,852 | 110,997 |
| **Carrying Value** | 262,307 | 105,378 | 17,620 | 2,781 | 20,921 | 409,007 |

* Goodwill recorded in these consolidated financial statements is on account of EMP and NI Egypt, amounting to USD 260.1 million and USD 2.4 million, respectively.

## 8.1 Impairment testing

The carrying amounts of the Group's non-financial 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. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ('CGUs'). Goodwill arising out of business combination is allocated to CGUs or group of CGUs that are expected to benefit from the Synergies of the combination. 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 that asset or CGU.

Impairment loss is recognised if the carrying amount of an asset or CGU exceed its recoverable amount.

Impairment losses are recognised in the consolidated statement of profit or loss. They are first allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other asset, an impairment loss is reversed to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Goodwill is not deductible for tax purposes.

Impairment testing of goodwill was done based on CGU. For this purpose, management considered two CGUs based on their geographical location, namely; Jordan and Africa Business.

### Jordan and Africa business

During the year, the impairment testing resulted in Nil impairment for Jordan and Africa CGUs (2018: Nil).

For 2019, the recoverable amount of USD 1,531.8 million has been calculated based on the CGUs fair value less cost to sell. The fair value measurement was categorised as a level 3 fair value based on the inputs in the valuation technique used. The fair value is based on 2020 forecast EBITDA and peer companies EBITDA multiples. The average EBITDA multiples used is '17.6'.

For 2018, the recoverable amount of USD 961.6 million has been calculated based on the CGUs fair value less cost to sell. The fair value measurement was categorised as a level 3 fair value based on the inputs in the valuation technique used. The fair value is based on 2019 forecast EBITDA and peer companies EBITDA multiples. The average EBITDA multiples used is '15'.

# Notes to the Consolidated Financial Statements continued

**8. Intangible assets and goodwill** continued

**8.1 Impairment Testing** continued

**Sensitivity analysis**

The Directors have done the sensitivity analysis by changing the assumptions in underlying EBITDA and EBITDA multiple and analyses the impact to see whether changing these assumption would cause the carrying amount of the CGU to be higher than the recoverable amount. The Directors noted that by changing the budgeted underlying EBITDA by 10% and EBITDA multiple by 15%, individually and together, would not cause the carrying amount of the CGU to be higher than recoverable amount. Below is the summary of the assessment.

| Particulars | Sensitivity range | Rationale of the sensitivity range | Impact on estimates |
|---|---|---|---|
| **Underlying EBITDA** | + 10%/-10% | 10% (+)/- range is considered for the sensitivity of the underlying EBITDA on the basis of Group's last 3 years historical trend of EBITDA growth against prior year actual and budgeted EBITDA. | A 10% reduction in underlying EBITDA:<br>• reduces, Africa (CGU) valuation by USD 111.0 million, leaving a headroom of USD 603.0 million above the carrying value; and<br>• Reduces Jordan (CGU) valuation by USD 39.7 million, leaving a headroom of USD 294.0 million above the carrying value.<br><br>A 10% increase in EBITDA would increase the valuation by USD 150.7 million. |
| **EBITDA Multiple** | + 15%/-15% | 15% (+)/- sensitivity to the EBITDA multiple is used to analyse the impact on estimate as this represents a reasonable range of variation in the average EBITDA multiple of a payment industry, supported by the fact that average multiple of the payment industry has seen a growth of -13% since the time of the Group listing in the London Stock Exchange (April 2019). | A 15% reduction in EBITDA multiple:<br>• reduces Africa (CGU) valuation by USD 166.4 million, leaving a headroom of USD 547.6 million above the carrying value; and<br>• reduces Jordan (CGU) valuation by USD 59.7 million, leaving a headroom of USD 274.0 million above the carrying value.<br><br>A 15% increase in EBITDA multiple would increase the valuation by USD 226.1 million. |
| **Underlying EBITDA and EBITDA Multiple** | Underlying EBITDA: + 10%/-10%<br><br>EBITDA Multiple: + 15%/-15% | The Directors have also assessed the impact on impairment by looking at sensitivity on underlying EBITDA and EBITDA multiple together. | A 10% reduction in underlying EBITDA and 15% reduction in EBITDA multiple together:<br>• reduces Africa (CGU) valuation by USD 260.7 million, leaving a headroom of USD 453.3 million above the carrying value; and<br>• reduces Jordan (CGU) valuation by USD 93.5 million, leaving a headroom of USD 240.2 million above the carrying value.<br><br>A 10% increase in EBITDA and 15% increase in EBITDA multiple together would increase the valuation by USD 399.4 million. |

**8.2 Impairment testing of other non-financial assets (for comparative purpose)**

**IT transformation project**

In 2018, the management has conducted an impairment assessment exercise on IT transformation project spends due to the fact that certain re-work had to be done, prompting a review of spends incurred and recalibration of project timelines. After detailed assessment, management concluded that the future economic benefits associated with certain cost incurred for consultants services and internal personnel cost, will not flow to the Group in future. Accordingly, the management has recorded an impairment of USD 10.3 million in the consolidated statement of profit or loss

**Other intangible assets**

During 2018, the Group has started developing a new state of the art e-commerce platform to replace the legacy platform to reduce outages and dependency on third-party vendors. Management believes that the legacy e-commerce platform will become redundant once all the merchants are migrated to the new platform. As a result the Group has concluded that the old platform is obsolete and therefore carrying amount as at 31 December 2018 amounting to USD 2.8 million is impaired and recognised under consolidated statement of profit or loss.

During 2018, the Group entered into an arrangement with the customer for providing card hosting and acquirer processing services. The Group had incurred an amount of USD 1.5 million to develop customised platform to enable delivery of the services as per the agreed contractual terms. During the year, the customer terminated the relationship due to ongoing disputes on functionalities related to system build and as a result the amount incurred on developing this software is impaired as no future economic benefits will flow to the entity from the use of this platform as system build has no alternative deployment potential. Accordingly, the complete carrying amount has been considered impaired and recognised under consolidated statement of profit or loss.

**9. Investment in an associate**

The Group's interest in equity-accounted investee comprises its interest in an associate. Interest in an associate is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

| | Transguard Cash LLC | |
|---|---|---|
| Name and nature of investment | Associate | |
| Ownership | 50% | |
| Place of incorporation | United Arab Emirates | |
| | **2019 USD'000** | 2018 USD'000 |
| **As at 1 January** | **51,856** | 51,272 |
| Share of EBITDA | **9,521** | 6,303 |
| Share of depreciation of an associate | **(4,222)** | (2,978) |
| **Share of profits** | **5,299** | 3,325 |
| Dividends received | **(2,723)** | (2,741) |
| **As at 31 December** | **54,432** | 51,856 |
| Current assets | **31,900** | 36,342 |
| Non-current assets | **51,319** | 46,405 |
| Current liabilities | **15,969** | 20,833 |
| Non-current liabilities | **4,013** | 3,640 |
| **Net assets** | **63,237** | 58,274 |
| Total revenue | **100,948** | 80,785 |
| Total expenses | **(90,350)** | (74,135) |
| **Net profit** | **10,598** | 6,650 |

**10. Scheme debtors and merchant creditors**

Scheme debtors and merchant creditors represent intermediary balances that arise as part of the daily acquiring settlement process.

**Scheme debtors**

Scheme debtors consist primarily of the Group's receivables from the card schemes for transactions processed on behalf of merchants, where it is a member of that particular scheme or network.

**Merchant creditors**

Merchant creditors consist primarily of the Group's liability to merchants for transactions that have been processed but not yet settled.

The Group has limited ability to influence the working capital related to scheme debtors and merchant creditors, (which is referred to as settlement related balances), on a day-to-day basis, as these are principally driven by the volume of transactions and the time elapsed since the last clearing by card issuers/payment schemes, which is why these balances fluctuate from one reporting date to another.

# Notes to the Consolidated Financial Statements continued

## 11. Receivables and prepayments

Receivables and prepayments are initially recognised at fair value in the period to which they relate. They are held at amortised cost, less any provision (if any). Provisions are presented net with the related receivable on the consolidated statement of financial position.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Trade receivables | **74,084** | 68,225 |
| Chargeback receivables | **2,191** | 1,862 |
| Prepaid expenses | **12,331** | 4,153 |
| Security deposits | **1,154** | 1,421 |
| Other assets | **4,541** | 4,631 |
| | **94,301** | 80,292 |
| Less: Provision for impairment | **(5,047)** | (6,444) |
| | **89,254** | 73,848 |

The movements in the provision for impairment are as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| As at 1 January | **6,444** | 11,109 |
| Provision in opening retained earnings as per IFRS 9 | **–** | 3,409 |
| Charge during the year | **510** | 809 |
| Amounts written off | **(1,805)** | (8,883) |
| Amounts reversed | **(102)** | – |
| As at 31 December | **5,047** | 6,444 |

## 12. Cash and cash equivalents and restricted cash

### 12.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant credit risk, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **(i) Cash and cash equivalents as per statement of financial position** | | |
| Cash and cash equivalents | **43,754** | 60,275 |
| **(ii) Cash and cash equivalents as per statement of Cash flows** | | |
| Cash and cash equivalents | **43,754** | 60,275 |
| Bank Overdraft | **(59,895)** | (102,741) |
| | **(16,141)** | (42,466) |

### 12.2 Restricted cash

Restricted cash largely includes amounts payable for deferred settlements of transactions to merchants and other third parties that has been withheld in accordance with its contractual rights or otherwise remained unpaid not in ordinary course of business and are eventually payable on demand or as mutually agreed.

## 13. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include associates, parent, subsidiaries, and key management personnel or their close family members. The terms and conditions of these transactions have been mutually agreed between the Group and the related parties. Key management personnel consists of the Network Leadership Team.

The Group enters into transactions with Emirates NBD PJSC and its subsidiaries. In the normal course of business, Emirates NBD PJSC also acts as a banker to the Group.

The management believes that the terms and conditions of these transactions are comparable with those that could be obtained from third parties.

The amounts due from Emirates NBD PJSC (and its subsidiaries and group associate) are receivable on demand.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Emirates NBD PJSC Group** | | |
| ***Transactions for the year*** | | |
| Revenue | **60,714** | 48,384 |
| Expenses | **7,399** | 7,772 |
| Net Interest expense/(income) | **1,981** | (96) |

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| ***Balances as at 31 December*** | | |
| Receivable balances | **18,603** | 10,955 |
| Bank balance | **72,154** | 101,822 |
| Prepaid amounts included under: | | |
| Long term receivables | **2,326** | – |
| Receivables and prepayments | **1,078** | – |
| Overdraft facility | **(51,204)** | (97,995) |
| Performance and other guarantees (refer to note 30) | **7,506** | 1,764 |
| **Transguard Cash LLC** | | |
| ***Transactions for the year*** (refer to note 9) | | |
| ***Balances as at 31 December*** | | |
| Payable balances | **–** | 122 |
| **Directors remuneration** | | |
| Directors remuneration during the year | **2,363** | – |
| End of service benefits (one executive Director) | **31** | – |
| Key management personnel remuneration | **17,510** | 17,206 |

# Notes to the Consolidated Financial Statements continued

**14. Trade and other payables**

Trade and other payables are recognised initially at fair value in the period to which they relate. They are subsequently held at amortised cost using the effective interest rate method. It also includes provisions which are recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Accrued expenses | **56,571** | 48,145 |
| Staff benefits | **19,582** | 19,031 |
| Merchant deposits | **5,448** | 5,911 |
| Unclaimed balances | **5,946** | 4,746 |
| Tax and other related liabilities | **15,123** | 15,153 |
| Interest payable | **1,918** | 2,639 |
| Deferred income | **6,895** | 5,347 |
| Due to a related party | **–** | 122 |
| Other liabilities | **15,801** | 14,715 |
| | **127,284** | 115,809 |

**15. Borrowings**

**Non-current borrowings**

On 10 May 2016, Network International LLC has entered into a syndicated conventional and Islamic facility (acquisition financing facility) of USD 350 million provided by various banks with Citibank N.A., London Branch, acting as one of the mandated lead arrangers, for the acquisition of Emerging Markets Payments Services. The facility consists of AED and USD tranches of conventional financing and one AED tranche of Islamic financing facility. The terms of the financing were amended effective 18 March 2019 and were updated to reflect the terms described below.

The facility carries an applicable interest period coupon rate of EIBOR plus margin on the AED conventional financing and murabaha financing and LIBOR plus margin on the USD conventional financing. The margin is calculated by reference to the Leverage (underlying EBITDA/net debt , as per definition and methodology provided in the financing documents), based on a grid which provides for reduced pricing as Leverage of the Group reduces and vice versa. The margin was initially set at 2.50% per annum applicable on the AED conventional financing and Islamic financing and 2.75% per annum applicable on the USD conventional financing and has been recalibrated based on the 2019 half yearly financial statements. The margins is currently at 2.0% for AED tranche and 2.25% for USD tranche.

The Group has made an early repayment of USD 16.3 million in 2017 and a scheduled repayment of USD 44.9 million in 2019, against all tranches proportionally. An amount of USD 4.5 million (2018: USD 0.5 million) was charged as an expense in the consolidated statement of profit or loss for the year on account of debt issuance cost (including cost related to repricing and amendment of acquisition financing facility and availing the revolving facility). The unamortised portion of the debt issuance cost, which has been netted off from the carrying amount of the loan, amounted to USD 7.8 million as at 31 December 2019 (2018: USD 9.4 million).

**Current borrowings**

Current borrowings include (a) the current portion of acquisition financing facility amounting to USD 70 million (2018: 44.9 million), (b) the drawn and outstanding amount of the revolving credit facility amounting to USD 35 million (2018: Nil), (c) the Lease liability amounting to USD 0.8 million (2018: 0.8 million) and (d) the unsecured overdraft facility from Emirates NBD PJSC and other banks amounting to USD 59.9 million (2018: 102.7 million).

The revolving credit facility was availed in November 2019 for general corporate funding purpose and carries an applicable interest period coupon rate of LIBOR plus a leverage linked margin (currently at 1.85%). The unsecured overdraft facility from Emirates NBD PJSC carries an interest at the rate of one Month EIBOR plus 240 basis points (2018: one Month EIBOR plus 250 basis points).

The table below provides a breakdown of the borrowing:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Non-current borrowing | **211,783** | 280,802 |
| Current borrowing | **165,661** | 148,457 |
| **Total** | **377,444** | 429,259 |
| ***Split into:*** | | |
| **a) Syndicated acquisition financing** | | |
| – Non-current portion | **210,930** | 279,297 |
| – Current portion | **70,000** | 44,950 |
| **Sub Total** | **280,930** | 324,247 |
| **b) Revolving credit facility** | | |
| – Current portion | **35,000** | – |
| **Sub Total** | **35,000** | – |
| **c) Lease liability** | | |
| – Non-current portion | **853** | 1,505 |
| – Current portion | **766** | 766 |
| **Sub Total** | **1,619** | 2,271 |
| Bank overdraft (for working capital) | **59,895** | 102,741 |
| **Total** | **377,444** | 429,259 |

**16. Discontinued operations and assets held for sale**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

The key criteria for held for sale classification is the commitment from the appropriate level of the management to sell the asset, and an active programme to locate a buyer and complete the plan within 12 month from the date of classification except for the extension period allowed under IFRS 5 as mentioned below in the note.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets and liabilities held for sale comprises assets and liabilities that are classified as held-for sale or distribution if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale or held for distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's other accounting policies.

Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities in a pro rata basis, except that no loss is allocated to financial assets, employee benefits assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on re measurement are recognised in the consolidated profit or loss statement. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or held for distribution, intangible assets and property and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

# Notes to the Consolidated Financial Statements continued

**16. Discontinued operations and assets held for sale** continued

**Extension of the classification period**

The assets (or disposal group) can still be classified as held for sale beyond one year if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). Please refer to note 2 (d).

The Group has classified the following as discontinued operations.

a) TimesOfMoney – the Group has disposed of TimesOfMoney software business in 2018 and with that disposal, the Group divested all its interest and hence, in 2019, the Group does not hold any stake in TimesOfMoney.
b) Acquiring operation with Ahli United Bank B.S.C. ('AUB') – the Group closed its Merchant Acquiring services in Bahrain, (through AUB) in 2019 and therefore, does not have any asset or liabilities relating to this business in the Group's consolidated statement of financial position as at 31 December 2019.
c) Mercury Payments Services LLC ('Mercury') – The Group was not able to conclude the sale during the year and has extended its classification of Mercury as held for sale beyond one year in line with the criteria under IFRS 5.

Loss from discontinued operations

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Revenue | **102** | 4,496 |
| Expenses | **(2,155)** | (8,606) |
| Operating loss | **(2,053)** | (4,110) |
| Impairment losses | **-** | (7,666) |
| Loss on disposal | **-** | (3,418) |
| Taxes | **-** | 127 |
| Transfer of foreign exchange loss from OCI to profit or loss on disposal of subsidiary | **-** | (8,250) |
| **Net loss** | **(2,053)** | (23,317) |

Cash flows used in discontinued operations

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Net cash generated from/(used in) operating activities | **37** | (501) |
| Net cash used in investing activities | **(294)** | (238) |
| Net cash generated from/(used in) financing activities | **-** | - |
| **Net cash flows used in discontinued operations** | **(257)** | (739) |

Assets and liabilities held for sale

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Assets** | | |
| Property and equipment | **3** | 214 |
| Intangible assets | **263** | 10 |
| Cash at banks | **487** | 745 |
| Receivables and prepayments | **2,911** | 3,448 |
| | **3,664** | 4,417 |
| **Liabilities** | | |
| Trade and other payables | **169** | 1,668 |
| | **169** | 1,668 |

**17. Other long term liabilities**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Staff benefits (refer below) | **13,353** | 15,279 |
| Other long term liabilities | **11,026** | 7,909 |
| | **24,379** | 23,188 |

**17.1 Staff benefits**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Employee end of service benefits (refer a below) | **10,870** | 8,481 |
| Share based compensations (refer b below) | **2,483** | 6,798 |
| | **13,353** | 15,279 |

a) Employee end of service benefits

The Group's employee end of service benefits include gratuity benefit scheme, defined contribution plans and UAE pension fund (on behalf of its UAE national employees), in line with laws of the local jurisdiction where the Group operates in (i.e. mainly UAE, Jordan and Africa).

Pension are provided by way of a contribution to a personal pension scheme or cash allowance in lieu of pension benefits. End of Service Gratuity is provided to non-UAE nationals as a lump sum cash payment following the end of service, based on the length of service. The charge and the liability recognised for gratuity schemes are calculated through actuarial valuation carried out by the external qualified actuary valuer, using Projected Unit Credit ('PUC') actuarial method. Under the UAE law, there is no requirement to invest these contributions to any assets for the purpose of settling these obligations, and accordingly there are no associated plan assets.

The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in consolidated statement of profit or loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in consolidated statement of other comprehensive income.

The Group's employee benefits obligation as at 31 December 2019, included in 'employee end of service benefits' above amounted to USD 10.9 million (2018: USD 8.5 million). The details of the assumptions used and the sensitivity analysis is disclosed under note 2 (d) 'Accounting Judgements and Estimates'.

b) Share based compensation

The Group currently operates the following share based compensation plans:

- Management Incentive Award Plan ('MIP') and IPO Cash Bonus
- Long Term Incentive Plan ('LTIP')

MIP and IPO cash bonus are cash settled share-based payment plans, whereas LTIP is an equity-settled share-based payment.

Key features and accounting policy with respect to Group Incentive Plans are as below:

Cash settled share-based payment

The accounting treatment of cash-settled share-based payment plans are dependent upon fulfilment of any of the following conditions that determine whether the Group has received the services that entitles the employees to receive cash (or any other assets) of the entity, under a share based payment arrangement:

- Service conditions
- Performance conditions
- Period of employment

In such incentive plans vesting conditions are either service conditions or performance conditions. Service conditions require the employee to complete a specified period of service. Performance conditions require the employees to complete a specified period of service and specified performance targets. Award payments vest when the associated vesting conditions are satisfied and the Group recognises the cost associated with such incentive plans in the consolidated statement of profit or loss.

The period over which cost needs to be recognised will commence from the grant date and will continue till such periods over which the employees render associated services or meet the conditions of the plan. The total liability of the grants vested at a reporting date is fair valued. Subsequently the fair value of the liability is re-measured at each reporting date and the date of settlement. Any change in fair value is recognised within the consolidated statement of profit or loss in that period, for any catch up element.

# Notes to the Consolidated Financial Statements continued

**17. Other long term liabilities** continued

Equity-settled share-based payment

Equity-settled share-based payment transactions, in which the Group receives services as consideration for equity instruments of the parent entity (including shares or share options).

For equity-settled share-based payment transactions, the Group measures the services received, and the corresponding increase in equity, directly, at the fair value of the services received. If the fair value cannot be estimated reliably, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Group measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received. The fair value of the equity instruments granted is measured at grant date.

For services measured by reference to the fair value of the equity instruments granted, all non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments. However, vesting conditions that are not market conditions are not taken into account when estimating the fair value of the shares or options at the relevant measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition (other than a market condition).

The fair value of equity instruments granted should be based on market prices, if available, and to take into account the terms and conditions upon which those equity instruments were granted. In the absence of market prices, fair value is estimated, using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

The Group has calculated the fair value of the equity instruments granted by applying on well-established principles of financial analysis, adapted as appropriate to meet the requirements of valuing individual incentive plans. For the valuation of the plan with only non-market conditions, Black-Scholes model has been used whereas, for the valuation of the incentive plan with market condition, Monte-Carlo model has been used to compute the fair value of the equity instruments.

After vesting date and a corresponding increase in equity, no subsequent adjustment to total equity shall be made. The Group will not subsequently reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited or, in the case of share options, the options are not exercised. However, a transfer within equity is allowed, i.e. a transfer from one component of equity to another.

Below are the key features of Group Incentive Plans:

Management Incentive Award Plan and IPO Cash Bonus

Network International LLC, a subsidiary of the Group, operates the following incentive plans.

Network International LLC Management Incentive Award Plan ('MIP Plan')

MIP Plan is a pre-existing phantom share incentive cash settled plan. The MIP awards have been made to 33 members of the Group's management, including the Chief Executive Officer. Each award entitles participants to receive a cash payment that is calculated by reference to the offering price of the Group at Admission as determined by the Remuneration Committee acting in good faith. The Network International LLC MIP acts as a retention tool in respect of the Group's senior management participants as the continued vesting of the existing awards and payment in respect of the part of the existing awards which have vested are conditional upon the participant remaining employed within the Group.

Network International LLC IPO Cash Bonus

Network International LLC has awarded eight members of the Group's management (Grantees), including to the Chief Executive Officer, cash bonus awards ('Cash Bonus Awards') subject to and conditional upon the listing. Grantees are entitled to receive a cash payment which is calculated by reference to the offering price of the Group at Admission as determined by the Remuneration Committee acting in good faith. The Cash Bonus Awards are subject to time vesting. 50% of the Cash Bonus Awards will vest on listing. One sixth of the Cash Bonus Awards will subsequently vest on each of the first two anniversaries of the listing and a one sixth of the Cash Bonus Award will subsequently vest on the date which is 30 months after listing.

The aggregate amount that has been allocated to the eligible employees for MIP plan and IPO Cash Bonus amounted to USD 33.2 million which will be paid to the employees in tranches. As at 31 December 2019, the Group has recorded a liability of USD 9.7 million (2018: 13.6 million) based on the net present value of the vesting condition and accordingly recognised a charge of USD 10.0 million (2018: 10.9 million) in the consolidated statement of profit or loss.

Long Term Incentive Plan ('LTIP')

The Group has established a long term equity settled share based incentive plan (Network International Holdings Long Term Incentive Plan 'LTIP Plan') which is awarded to the eligible employees and subject to the condition specified under the LTIP Plan rules through 2 grants.

Key features of Grant 1 is as follows:

- Under Grant 1, the plan is rolled out to select eligible employees of the Group.
- The award under this grant will normally vest on the third anniversary of the Date of Grant, unless an event occurs before then which causes the Award to vest under the rules of the LTIP Plan.
- Multiple performance conditions apply to the Award (including market and non-market), and the Award may only vest to the extent that the performance condition have been satisfied.
- The Board will have discretion to determine that an award will vest to a lesser extent despite the performance condition having been satisfied in whole or part, if it considers that the overall performance of the Group or the Participant (in either case as determined by the Board) does not warrant the Award vesting to the full extent determined by the satisfaction of the performance condition.

Under Grant 2, the plan is rolled out to all the employees of the Group based on meeting some eligibility criteria, as an incentive in recognition of the efforts to support the listing of the Group. The award vesting is subject only to the participant's continued employment with the Group.

Below are the details of both grants:

| Particulars | Date of grant | Grant date share price | Vesting Condition | Contractual life of options |
|---|---|---|---|---|
| Grant 1 | 17-May-19 | GBP 5.3 | a) Adjusted EPS<br>b) Revenue<br>c) relative TSR | 3 years |
| Grant 2 | 24-Oct-19 | GBP 5.25 | Service condition only | 1.5 years |

Details of number of shares to be vested under Grant 1 for the achievement of performance condition:

| | CAGR | | |
|---|---|---|---|
| Awards vesting | Adjusted EPS | Revenues | Relative TSR |
| Weightage | (50%) | 25% | 25% |
| 0% | less than 12 % compound growth p.a | | below median performance |
| 25% | 12 % compound growth p.a | | company achieves median positioning relative to the comparator Group |
| 100% | 16.5 % compound growth p.a | | company achieves upper quartile positioning relative to the comparator Group |

Note: For all the elements of the award vesting is subject to a share price underpin of GBP 4.35 at the end of vesting period.

Detail of the valuation assumptions:

| Description | Grant 1 | Grant 2 |
|---|---|---|
| Valuation model | Black-Scholes and Monte-Carlo model | Black-Scholes |
| Risk free interest rate | 0.69% p.a | 0.51% p.a |
| TSR Comparator Group | Constituents of the FTSE 250 at the time of grant | – |
| Dividend equivalent | 0% (assumed participants entitled to dividends or dividends equivalents) | 3% assumed dividend yield |

At the date of the awards granted, the Group has calculated the fair value of both the grants to recognise a charge amounting to USD 1.4 million (2018: Nil) in the consolidated statement of profit or loss for the year ended 31 December 2019 with a corresponding increase in equity.

Below is the breakdown of all share based compensation plans mentioned above under current and non-current liabilities.

| | **2019 USD'000** | 2018 USD'000 |
|---|---|---|
| Non-current portion | **2,483** | 6,798 |
| Current portion (included under Note 14) | **7,224** | 6,798 |
| | **9,707** | 13,596 |

# Notes to the Consolidated Financial Statements continued

**18. Share capital and reserves**

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

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Issued and fully paid up** | | |
| 500,000,000 shares of USD 0.1302 each (2018: 500,000,000 shares of USD 3.119592 each) | **65,100** | 1,559,796 |

The share capital of the Group represents the share capital of the parent company, Network International Holdings PLC. As described in note 1, this Company became the Group's ultimate parent company on 11 April 2019. Prior to this, the share capital of the Group represented the share capital of the previous parent, Network International LLC.

Movements in the Company's share capital from the date of incorporation to reporting date are described in note 1. There have not been any other changes to the Company's share capital since the steps laid out in note 1.

Reserves comprise of the following:

**Foreign exchange** reserves include the cumulative net change due to changes in value of subsidiaries functional currency to USD from the date of previous reporting period to date of current reporting period.

**Reorganisation reserve** includes the reserve created as part of restructuring undertaken by the Group as mentioned in note 1.

**Share based payment** includes the reserve created as per IFRS 2, 'Share-based payment' for the awards granted to the employees under LTIP Plan as mentioned in note 17.

**Other reserves** include statutory reserve and fair value reserve.

Statutory reserve are the reserves representing a proportion of profit that are required to be maintained in subsidiary companies based on the local regulatory laws of the respective countries in which the Group operates.

**19. Revenues**

**Merchant Solutions**

Under Merchant Solutions, the Group provides a broad range of technology-led payment solutions to its merchants through a full omni-channel service allowing them to accept payments of multiple types, across multiple payment channels. The Group offers functionality in most aspects of payment acceptance, whether in-store, online or on a mobile device, by providing access to a global payments network through its agile, integrated, secure, reliable and highly scalable technology platforms, Network One and Network Lite. The Group's Merchant Solutions business comprises its direct acquiring businesses and acquirer processing services, whereby the Group provides processing for its financial institutions direct acquiring business. The Group generates both, transactional and non-transactional revenue (refer below for detail) under Merchant Solutions.

**Issuer Solutions**

Through its Issuer Solutions business line, the Group provides a range of innovative card products and services to its consumers. The Group provides its issuer solution customers with a comprehensive proposition supporting all components of the card issuing value chain, including account hosting, transaction processing, settlement, reconciliation, chargebacks and other ancillary services. The Group provides its issuer solution customers with the ability to open card accounts for consumers and issue and create a range of card products, including credit, debit, Islamic, pre-paid and digital/virtual cards. The Group also provides support for its issuer solution customers to enable them to host and manage a large portfolio of card product solutions ranging from simple card usage to VIP card products, including highly configurable and personalised usage. The Group generates both, transactional and non-transactional revenue (refer below for detail) under Issuer Solutions.

For both Merchant and Issuer solutions, the Group's sources of revenue can be broadly categorised into transaction based revenue and non-transaction based revenue.

- **Transaction based revenue:** includes revenue generated through a combination of: (a) a Gross Merchant Service Charge ('MSC'), charged to the merchant on the total processed volume ('TPV'); (b) a fee per transaction processed and billed, (c) a fee per card hosted and billed and (d) a variable fee for provision of Value Added Services including foreign exchange services. The revenue is reported on a net basis, i.e., after the deduction of interchange and scheme fees paid to the card issuer and payment schemes, respectively. The transactional based revenue are recognised at a point in time in line with the IFRS as adopted by EU.

  Interchange fees are the fees that is paid to the card issuing banks which is generally based on transaction value, but could also be a fixed fee combined with an ad valorem fee. Scheme fees are the fees paid to the payment schemes for using cards licensed under their brand names and for using their network for transaction authorisation and routing.

- **Non-transaction based revenue:** includes but not limited to revenue generated through provision of various value-added services (those that are fixed periodic charge), rental from point-of-sale ('POS') terminals and project related revenue.

  The non-transactional based revenue are recognised at a point in time or over time depending upon the type of service being provided, contractual terms and timing when the performing obligation is met by the Group, in line with the IFRS as adopted by EU.

The Group recognise the revenue over time mainly in the following cases:
- Project related revenue, where the Group provides service to develop or enhances the tangible/intangible assets; and
- Other services provided by the Group where customer simultaneously receives and consumes the benefits as and when the Group performs its obligation.

The breakdown of revenue is as under:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Merchant Solutions | **152,482** | 136,317 |
| Issuer Solutions | **177,572** | 157,069 |
| Other revenue | **4,852** | 4,549 |
| | **334,906** | 297,935 |

# Notes to the Consolidated Financial Statements continued

## 20. Personnel expenses

The Group's personnel expenses include salaries, allowances, bonuses and terminal and other benefits recognised during the period, when the associated services are rendered by the employees. The details of personnel expenses are as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Salaries and allowances | **62,712** | 56,986 |
| Bonus and sales incentives | **11,254** | 11,564 |
| Share based compensation* | **11,398** | 10,907 |
| Terminal and other benefits | **9,814** | 8,627 |
| | **95,178** | 88,084 |

* Share based compensation includes charge for management incentive award plan ('MIP') and IPO Cash Bonus, amounting to USD 10.0 million (2018: USD 10.9 million) and LTIP Plan charge amounting to USD 1.4 million (2018: nil). Refer to note 17 for details.

## 21. Selling, operating and other expenses

Selling, operating and other expenses consist primarily of technology and communication related expenses, processing service costs, legal and professional charges, provision for expected credit loss and other general and administrative expenses.

The details of selling, operating and other expenses are as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Technology and communication cost | **41,898** | 43,426 |
| Third-party processing services cost | **26,728** | 18,412 |
| Legal and professional fees* | **24,752** | 11,263 |
| Provision for expected credit loss | **510** | 809 |
| Other general and administrative expenses | **13,863** | 11,545 |
| | **107,751** | 85,455 |

* Includes expenses incurred in relation to the Initial Public Offering ('IPO') including fees paid to advisors amounting to USD 15.0 million (2018: USD 3.7 million).

### 21.1 Auditor remuneration

The details of Group's auditor remuneration are as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Total fees to the Group's auditor for the audit of the Group's Annual Report and Accounts | **779** | 256 |
| Total fees to the Group's auditor for other services: | | |
| Review of half yearly financial information | **113** | – |
| Other non-audit services – IPO related | **902** | 148 |
| Other non-audit services | **38** | 14 |
| | **1,832** | 418 |

## 22. Net interest expenses

Interest expense comprise of interest expense on borrowings and lease liabilities. All borrowing costs are recognised in consolidated statement of profit or loss using the effective interest method.

Interest income comprises of interest income on funds invested. Interest income is recognised in the consolidated statement of profit or loss, using the effective interest method.

The breakdown of net interest expenses is as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Interest cost | **26,137** | 21,804 |
| Interest income | **(1,293)** | (1,645) |
| | **24,844** | 20,159 |

## 23. Earnings per share ('EPS')

Basic earnings/(loss) per share amounts are calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings/(loss) per share amounts are calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of potentially dilutive options.

The basic and diluted earnings per share is based on earnings of USD 57.6 million (2018: USD 26.2 million), USD 59.0 million for continuing operations (2018: USD 46.7 million) and loss of USD 1.4 million for discontinued operations (2018: USD 20.5 million).

There is no change in the number of shares used in the calculation of weighted average number of shares in issue because the principles of reverse acquisition have been applied in accordance with IAS 33. As there were no changes to the number of shares in issue by Network International LLC during the comparative period and up to the date of the reverse acquisition, and no changes to the number of shares in issue by Network International Holdings PLC subsequent to the reverse acquisition and up to 31 December 2019, the same number is used in all periods presented.

There is no change in the basic and diluted ('EPS'). The diluted earnings per share have been calculated after considering potential dilutive options for Group scheme for employee's shares based payment.

The profit attributable to the equity holders for the year ended 31 December 2019 is based on 500,000,000 shares (2018: 500,000,000 shares).

| | 2019 USD cents | 2018 USD cents |
|---|---|---|
| Earnings per share (basic and diluted) | **11.5** | 5.2 |
| Earnings per share – Continuing operations (basic and diluted) | **11.8** | 9.3 |
| Earnings per share – Discontinued operations (basic and diluted) | **(0.280)** | (4.093) |

# Notes to the Consolidated Financial Statements continued

**24. Taxes**
Taxes comprises of current and deferred tax. Current tax and deferred tax is recognised in the consolidated statement of 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**
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 or receivable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Goodwill is not deductible for tax purposes.

**Deferred tax**
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

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.

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

### 24.1 Taxes
The tax expense recognised in the consolidated statement of profit or loss is as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Deferred tax (benefit)/expense | **(725)** | 283 |
| Current tax expense | **5,978** | 6,309 |
| Prior year tax expense | **1,379** | 4,364* |
| Tax expenses | **6,632** | 10,956 |

* Represents tax charge for legacy matters and included in the SDIs. Please refer to note 4 for details of SDIs.

### 24.2 Deferred tax liability

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Balance as at 1 January | **2,324** | 1,851 |
| Deferred tax (benefit)/expense | **(725)** | 283 |
| Effects of change in foreign exchange | **189** | 190 |
| Balance as at 31 December | **1,788** | 2,324 |

### 24.3 Reconciliation of effective tax

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Profit before tax from continuing operations** | **65,643** | 57,693 |
| Tax using the Company's domestic tax rate* | **–** | – |
| Effect of tax rates in foreign jurisdictions | **8,617** | 12,174 |
| ***Tax effect of:*** | | |
| Non-deductible expenses | **1,345** | 673 |
| Tax-exempt income | **(123)** | (148) |
| Other allowable deduction | **(1,260)** | (473) |
| Tax incentives/rebates | **(2,665)** | (6,213) |
| Carry forward losses | **–** | (64) |
| Deferred tax | **(725)** | 283 |
| Prior year tax expenses | **1,379** | 4,364 |
| Other adjustments | **64** | 360 |
| **Income tax expense** | **6,632** | 10,956 |

* As the Group's largest operations are in UAE, the tax rate applied in this tax reconciliation is that of UAE (i.e. Nil), rather than the rate applying in the UK where the Company is incorporated.

### 24.4 Reconciliation of deferred tax

| | Balance at 1 Jan | Recognised in P&L | Recognised in OCI | Balance at 31 Dec |
|---|---|---|---|---|
| **2019** | | | | |
| **Deferred tax asset** | | | | |
| Provisions and other items | **500** | **794** | **–** | **1,294** |
| **Deferred tax liability** | | | | |
| Property and equipment and intangibles | **(465)** | **(135)** | **–** | **(600)** |
| Foreign exchange differences | **(2,359)** | **66** | **(189)** | **(2,482)** |
| **Balance as at 31 December** | **(2,324)** | **725** | **(189)** | **(1,788)** |
| **2018** | | | | |
| **Deferred tax asset** | | | | |
| Provisions and other items | 491 | 9 | – | 500 |
| **Deferred tax liability** | | | | |
| Property and equipment and intangibles | (171) | (294) | – | (465) |
| Foreign exchange differences | (2,171) | 2 | (190) | (2,359) |
| **Balance as at 31 December** | (1,851) | (283) | (190) | (2,324) |

**25. Leases**
**Overview**
The Group early adopted IFRS 16 in 2018 using the modified retrospective approach.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  — The Group has the right to operate the asset; or
  — The Group designed the asset in a way that predetermines how and for what purpose it will be used.

# Notes to the Consolidated Financial Statements continued

**25. Leases** continued
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

**Accounting policy for the lessee**
The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a charge in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other payables' in the consolidated statement of financial position.

**Short term leases and leases of low-value assets**
The Group has elected to take exemption for certain lease contract that have either a lease term of 12 months or having low-value. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Group leases offices to carry out its operations in different locations. Information about leases for which the Group is a lessee is presented below:

**25.1 Right of use assets**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Balance as at 1 January | **8,059** | 1,978 |
| Additions during the year | **6,563** | 7,939 |
| Depreciation charge for the year | **(3,004)** | (1,858) |
| Effects of change in foreign exchange | **843** | – |
| **Balance as at 31 December** | **12,461** | 8,059 |

**25.2 Lease liabilities**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | | |
| Less than one year | **3,976** | 1,563 |
| One to five years | **11,691** | 8,999 |
| More than five years | **5,092** | 6,295 |
| **Total undiscounted lease liabilities at 31 December** | **20,759** | 16,857 |
| Current | **2,048** | 193 |
| Non–current (refer to note 17) | **11,026** | 7,909 |
| **Lease liabilities included in the statement of financial position at 31 December** | **13,074** | 8,102 |

**25.3 Amounts recognised in the consolidated statement of profit or loss**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Interest expense on lease liabilities | **1,714** | 827 |
| Depreciation of right of use assets | **3,004** | 1,858 |

The expense relating to leases of low-value assets and short term lease asset that are not a part of above right of use assets and lease liabilities (as the Group has availed exemption of short term lease and low-value assets under IFRS 16) amounted to USD 0.1 million and USD 0.1 million, respectively.

**Accounting policy for the lessor**
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

The Group leases out its point of sales ('POS') terminals. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The rental income recognised by the Group as at 31 December 2019 was USD 6.2 million (2018: USD 6.3 million).

# Notes to the Consolidated Financial Statements continued

## 26. Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Liabilities | | | Equity | |
|---|---|---|---|---|---|
| | Lease liability for right of use asset USD'000 | Lease liability USD'000 | Borrowings USD'000 | Retained earnings USD'000 | Total USD'000 |
| **2019** | | | | | |
| Opening balance | **8,102** | **2,271** | **324,247** | **–** | **334,620** |
| Acquisition of loan | **–** | **–** | **35,000** | **–** | **35,000** |
| Repayment of loan | **–** | **–** | **(44,918)** | **–** | **(44,918)** |
| Payment of debt issuance cost | **–** | **–** | **(2,903)** | **–** | **(2,903)** |
| Payment of lease liabilities | **(3,748)** | **(646)** | **–** | **–** | **(4,394)** |
| Purchase of treasury shares | **–** | **–** | **–** | **(12,821)** | **(12,821)** |
| **Total changes from financing cash flows** | **4,354** | **1,625** | **311,426** | **(12,821)** | **304,584** |
| **The effect of changes in foreign exchange rates** | **443** | **–** | **–** | **–** | **443** |
| **Liability related changes** | | | | | |
| Recognition of lease liabilities under IFRS 16 | **6,563** | **–** | **–** | **–** | **6,563** |
| Amortisation of debt issuance cost | **–** | **–** | **4,504** | **–** | **4,504** |
| Interest expense | **1,714** | **114** | **–** | **–** | **1,828** |
| Interest paid | **–** | **(120)** | **–** | **–** | **(120)** |
| **Total liability related changes** | **8,277** | **(6)** | **4,504** | **–** | **12,775** |
| **Closing balance** | **13,074** | **1,619** | **315,930** | **(12,821)** | **317,802** |
| ***Current portion*** | ***2,048*** | ***766*** | ***105,000*** | | |
| ***Non-current portion*** | ***11,026*** | ***853*** | ***210,930*** | | |
| 2018 | | | | | |
| Opening balance | – | 2,886 | 323,741 | – | 326,627 |
| Payment of lease liabilities | (2,298) | (615) | – | – | (2,907) |
| Payment of dividends | – | – | – | (89,857) | (89,857) |
| **Total changes from financing cash flows** | (2,298) | 2,277 | 323,741 | (89,857) | 233,863 |
| **Liability related changes** | | | | | |
| Recognition of lease liabilities under IFRS 16 | 9,573 | – | – | – | 9,573 |
| Amortisation of debt issuance cost | – | – | 506 | – | 506 |
| Interest expense | 827 | 150 | – | – | 977 |
| Interest paid | – | (156) | – | – | (156) |
| **Total liability related changes** | 10,400 | (6) | 506 | – | 10,900 |
| **Closing balance** | 8,102 | 2,271 | 324,247 | (89,857) | 244,763 |
| ***Current portion*** | *193* | *766* | *44,950* | | |
| ***Non-current portion*** | *7,909* | *1,505* | *279,297* | | |

## 27. Financial instruments

### Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

The classification depends on the Group's business model for managing the financial assets that whether 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 cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to designate the instrument under the classification of FVTOCI with subsequent changes in fair value being recorded in other comprehensive income. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

### Recognition and measurement

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets at fair value through other comprehensive income ('FVTOCI') are carried at fair value. After initial measurement, the Group present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses in respect of equity investment securities designated as FVTOCI to the consolidated statement of profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

### De-recognition of financial instruments

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expires, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

# Notes to the Consolidated Financial Statements continued

**27. Financial instruments** continued

### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### Impairment

During the year, the Group has applied ECL model in accordance with IFRS 9 as disclosed in note 2 (d).

### Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

### Fair value hierarchy

The Group measures the fair value using the following fair value hierarchy that reflects the significance of input used in making these measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### Accounting classifications and fair values

| | Carrying value | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2019 USD'000** | **Financial Assets** | **Financial liabilities** | **Total carrying value** | **Total fair value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets measured at fair value** | | | | | | | |
| Investment securities | **246** | **–** | **246** | **246** | **–** | **246** | **–** |
| **Financial assets not measured at fair value** | | | | | | | |
| Scheme debtors | **182,831** | **–** | **182,831** | **182,831** | **–** | **182,831** | **–** |
| Receivables and prepayments | **89,254** | **–** | **89,254** | **89,254** | **–** | **89,254** | **–** |
| Restricted cash | **54,029** | **–** | **54,029** | **54,029** | **54,029** | **–** | **–** |
| Cash and cash equivalents | **43,754** | **–** | **43,754** | **43,754** | **43,754** | **–** | **–** |
| Long term receivables | **2,533** | **–** | **2,533** | **2,533** | **–** | **2,533** | **–** |
| | **372,401** | **–** | **372,401** | **372,401** | **97,783** | **274,618** | **–** |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Merchant creditors | **–** | **167,167** | **167,167** | **167,167** | **–** | **167,167** | **–** |
| Trade and other payables | **–** | **127,284** | **127,284** | **127,284** | **–** | **127,284** | **–** |
| Borrowings – Current | **–** | **165,661** | **165,661** | **165,661** | **–** | **165,661** | **–** |
| Other long term liabilities | **–** | **24,379** | **24,379** | **24,379** | **–** | **24,379** | **–** |
| Borrowings – Non-current | **–** | **211,783** | **211,783** | **211,783** | **–** | **211,783** | **–** |
| | **–** | **696,274** | **696,274** | **696,274** | **–** | **696,274** | **–** |

| | Carrying value | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| As at 31 December 2018 USD'000 | Financial Assets | Financial liabilities | Total carrying value | Total fair value | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at fair value** | | | | | | | |
| Investment securities | 246 | – | 246 | 246 | – | 246 | – |
| **Financial assets not measured at fair value** | | | | | | | |
| Scheme debtors | 222,693 | – | 222,693 | 222,693 | – | 222,693 | – |
| Receivables and prepayments | 73,848 | – | 73,848 | 73,848 | – | 73,848 | – |
| Restricted cash | 71,896 | – | 71,896 | 71,896 | 71,896 | – | – |
| Cash and cash equivalents | 60,275 | – | 60,275 | 60,275 | 60,275 | – | – |
| Long term receivables | 740 | – | 740 | 740 | – | 740 | – |
| | 429,452 | – | 429,452 | 429,452 | 132,171 | 297,281 | – |
| **Financial liabilities not measured at fair value** | | | | | | | – |
| Merchant creditors | – | 185,523 | 185,523 | 185,523 | – | 185,523 | – |
| Trade and other payables | – | 115,809 | 115,809 | 115,809 | – | 115,809 | – |
| Borrowings – Current | – | 148,457 | 148,457 | 148,457 | – | 148,457 | – |
| Other long term liabilities | – | 23,188 | 23,188 | 23,188 | – | 23,188 | – |
| Borrowings – Non-current | – | 280,802 | 280,802 | 280,802 | – | 280,802 | – |
| | – | 753,779 | 753,779 | 753,779 | – | 753,779 | – |

**28. Risk management**

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational 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 consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Group's enterprise risk management framework.

The Group is committed to embedding a strong risk culture to support good governance and sound risk management practice. The Board and the Network Leadership Team ('NLT') play a key role in directing and influencing this by ensuring:

- that a risk based approach is used during key decision making;
- consistent tone from the top and clear responsibilities for risk identification and challenge;
- employees have risk management accountability and escalate issues on a timely basis;
- our incentive structures promote a risk aware culture to effectively manage risk and remunerates employees accordingly; and
- we adopt a culture of 'learning from our mistakes' to foster continuous improvement of processes and controls.

The importance of risk culture is reinforced in the Group's policies and standards and the Code of Conduct, to which all employees receive annual training as part of the attestation process.

Our risk governance model operates on the three lines of defence concept which ensure effective risk management, risk oversight and assurance. The First Line of Defence comprises all employees engaged in revenue generating and customer facing areas of the Group including support functions. Employees are responsible for identifying the risks within their respective activities and for the effective management of those risks through the development of appropriate policies, standards and controls. Employees are accountable for performing their activities within stated risk appetites and risk tolerance limits established by the Second Line of Defence and for escalating and reporting risk events to the Second Line. The Second Line of Defence is responsible for translating the risk appetite and strategy approved by the Board into actionable risk limits, policies and programmes under which the First Line activities are to be performed. The Second Line is also responsible for monitoring the performance of the First Line against these limits, policies and programmes. The Third Line of Defence comprises the Group Internal Audit function ('GIA'). They provide independent assurance to the Board and NLT over the effectiveness of governance, risk management and control.

# Notes to the Consolidated Financial Statements continued

**28. Risk management** continued

There are a number of priority areas that are vital to establishing a robust and sustainable risk assessment system at the Group, key to which is the process that we have in place. Further detail on the seven step risk management reporting process is outlined below:

1. Risk Identification
2. Inherent Risk Assessment
3. Existing Controls
4. Residual Risk Assessment
5. Action Planning
6. Risk Monitoring and Reporting
7. Oversight

## Credit Risk

Credit risk is a 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 scheme debtors, receivables and cash and cash equivalents held with banks.

The Group's principal exposure to credit risk for its Merchant Solution business is the risk of chargebacks by card issuers and payment schemes where the merchant is unable to settle the sum due. The Group seek to mitigate such risk in part by creating reserve balances for merchants with a higher risk profile. The Group is also subject to credit risk for the receivables due from the payment schemes for its acquiring business and to banks and financial institutions for its Issuer Solutions business.

As part of Group's Issuer Solutions business, the Group provides card issuance, hosting, transaction processing and other Value Added Services to various financial institutions. Some of these financial institutions also rely on the Group's principal membership with various payment schemes to issue credit and debit cards as affiliate banks of the Group which results in counterparty risk arising through possible non-payment of settlement funds. To mitigate this risk, wherever possible, the Group conducts transactions with reputed financial institutions only and seeks to hold reserve balances on a case by case basis as well.

The Groups' exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its counterparties, including the default risk of the industry and the country in which counterparties operate.

A vast majority of the Group counterparties have been transacting with the Group for over four years. Management has established a process under which each new counterparty is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available and in some cases bank references.

The Group establishes an allowance for impairment that represents its expected credit losses in respect of receivables.

At 31 December, the maximum exposure to credit risk (net of provisions) by geographic region is as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Middle East | **304,349** | 383,110 |
| Africa | **53,395** | 40,828 |
| | **357,744** | 423,938 |

The maximum exposure to credit risk (net of provisions) by type of counterparty is as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Schemes | **182,831** | 222,693 |
| Banks | **168,313** | 193,834 |
| Others | **6,600** | 7,411 |
| | **357,744** | 423,938 |

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Not credit impaired (0-180 days) | **354,877** | 420,053 |
| Credit impaired (181 days and above) | **7,914** | 10,329 |
| Less: Loss allowances | **(5,047)** | (6,444) |
| | **357,744** | 423,938 |

Exposure to credit risk is monitored on an ongoing basis. Cash is placed with good credit rating banks. Major bank ratings are as follows:

| Name of the bank | 2019 USD'000 | Rating | Agency |
|---|---|---|---|
| Emirates NBD PJSC | **72,154** | P-2 | Moody's |
| Standard Chartered Bank | **11,439** | P-1 | Moody's |
| Arab African International Bank | **4,434** | B | Capital Intelligence |

| Name of the bank | 2018 USD'000 | Rating | Agency |
|---|---|---|---|
| Emirates NBD PJSC | **101,822** | P-2 | Moody's |
| Standard Chartered Bank | **22,200** | P-1 | Moody's |
| Arab African International Bank | **1,093** | B | Capital Intelligence |

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligation associated with its financial liabilities that are settled by cash or other financial assets. The Group's approach to managing liquidity is to ensure 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 business and reputation. The Group maintains adequate working capital facilities for various Group entities with reputable banks in respective countries. A significant part of the Group's short-term liquidity requirements arises out of its settlement requirements pertaining to its direct acquiring business, where it typically make payments to settle with merchants in advance of receiving payment from the schemes for the payment amount incurred on the card. In particular, in the UAE, the Group generally receives payments from the card issuing banks and payment schemes one business day after it has remitted funds to the merchants and these receivables are recorded on its balance sheet as scheme debtors. Since the Group's settlement amount with merchants is based on the total amount of the card transaction less merchant discount and settlement fees, its acquiring payment cycle can result in temporary, but significant, liquidity requirements for which it principally uses its revolving credit facility.

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payment and exclude the impact of netting agreements.

### 31 December 2019

| | | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| USD'000 | Carrying amount | Total | 2 months or less | 2–12 months | 1–2 years | 2–5 years | More than 5 years |
| Merchant creditors | **167,167** | **167,167** | **167,167** | **–** | **–** | **–** | **–** |
| Trade and other payables | **127,284** | **129,212** | **48,304** | **80,908** | **–** | **–** | **–** |
| Borrowings – Current | **165,661** | **177,818** | **63,493** | **114,325** | **–** | **–** | **–** |
| Other long term liabilities | **24,379** | **39,961** | **–** | **–** | **27,142** | **7,727** | **5,092** |
| Borrowings – Non-current | **211,783** | **230,872** | **–** | **–** | **230,872** | **–** | **–** |
| **Total** | **696,274** | **745,030** | **278,964** | **195,233** | **258,014** | **7,727** | **5,092** |

# Notes to the Consolidated Financial Statements continued

**28. Risk management** continued

**31 December 2018**

| | | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| USD'000 | Carrying amount | Total | 2 months or less | 2–12 months | 1–2 years | 2–5 years | More than 5 years |
| Merchant creditors | 185,523 | 185,523 | 185,523 | – | – | – | – |
| Trade and other payables | 115,809 | 117,178 | 63,548 | 53,630 | – | – | – |
| Borrowings – Current | 148,457 | 168,420 | 106,246 | 62,174 | – | – | – |
| Other long term liabilities | 23,188 | 30,573 | – | – | 18,330 | 5,948 | 6,295 |
| Borrowings – Non-current | 280,802 | 312,432 | – | – | 165,698 | 146,734 | – |
| **Total** | 753,779 | 814,126 | 355,317 | 115,804 | 184,028 | 152,682 | 6,295 |

### Market risk

Market risk is the risk that changes in market prices, such as 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.

The Group's exposure to market risk arises from:
- Equity price risk
- Currency risk
- Interest rate risk

#### Equity price risk

Equity price risk arises from the change in fair value of equity investments. The Group's investment in securities classified as investment in fair value through profit or loss is exposed to equity price risk. With the change of 100 basis point in the price, keeping other factors constant, the price of the securities would increase/(decrease) by USD 2,460 only.

#### Interest rate risk

The Group's long term indebtedness and revolving line of credit for acquiring settlement needs and other working capital requirements are held at a variable rate on interest. The interest rates for these credit facilities are based on a fixed margin plus a market rate of interest. Interest rate changes do not affect the market value of such debt but could impact the amount of the Group's interest payments and accordingly the Group's future earnings and cash flows.

At the reporting date, the interest profile of the Group's interest bearing financial assets and liabilities are as follows:

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | **22** | 20 |
| Financial liabilities | **6,432** | 2,487 |
| **Variable rate instruments** | | |
| Financial assets | **46,283** | 72,365 |
| Financial liabilities | **367,134** | 424,501 |

### Currency risk

The Group is exposed to foreign exchange rate risk as a result of its foreign operations as well as transactions in currencies other than AED which is the Group's functional currency. A substantial portion of the Group's revenue (96.2% of 2019 revenue and 96.6% of 2018 revenue) are either incurred in USD or currencies pegged to the US dollar, including the AED. The Group's foreign operations are principally in Egypt, Nigeria, Jordan and South Africa whose functional currencies are the Egyptian Pound, Nigerian Naira, Jordanian Dinar and South African Rand respectively. Translation of foreign operations is recognised under 'other comprehensive (loss)/income', whereas the translation effect of transactions and balances in foreign currencies are reflected in the consolidated statement of profit or loss of the respective period. In addition, as part of the Group's role as a Merchant Acquirer, it may settle with merchants in currencies other than those in which it receives funds from payment schemes. Although the Group settles such transactions using the spot market rates, it is subject to a certain degree of currency risk and it recognises any such gains or losses under income statement.

| At 31 December 2019 | USD USD'000 | AED USD'000 | EGP USD'000 | JOD USD'000 | Others USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|
| **Total financial assets** | | | | | | |
| Scheme debtors | **15,529** | **154,768** | **2,631** | **9,903** | **–** | **182,831** |
| Receivables and prepayments | **18,357** | **55,783** | **6,932** | **7,068** | **1,114** | **89,254** |
| Restricted cash | **53,773** | **–** | **234** | **–** | **22** | **54,029** |
| Cash and cash equivalents | **9,224** | **18,703** | **6,379** | **1,782** | **7,666** | **43,754** |
| Long term receivables | **–** | **2,325** | **98** | **110** | **–** | **2,533** |
| Investment securities | **246** | **–** | **–** | **–** | **–** | **246** |
| | **97,129** | **231,579** | **16,274** | **18,863** | **8,802** | **372,647** |
| **Total financial liabilities** | | | | | | |
| Merchant creditors | **57,480** | **105,175** | **1,583** | **127** | **2,802** | **167,167** |
| Trade and other payables | **11,907** | **93,693** | **8,307** | **9,135** | **4,242** | **127,284** |
| Borrowings – current | **68,258** | **90,971** | **–** | **6,432** | **–** | **165,661** |
| Other liabilities | **2,483** | **13,947** | **7,717** | **–** | **232** | **24,379** |
| Borrowings – non-current | **96,875** | **114,908** | **–** | **–** | **–** | **211,783** |
| | **237,003** | **418,694** | **17,607** | **15,694** | **7,276** | **696,274** |
| **Net position** | **(139,874)** | **(187,115)** | **(1,333)** | **3,169** | **1,526** | **(323,627)** |

# Notes to the Consolidated Financial Statements continued

## 28. Risk management continued

| At 31 December 2018 | USD USD'000 | AED USD'000 | EGP USD'000 | JOD USD'000 | Others USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|
| **Total financial assets** | | | | | | |
| Scheme debtors | 13,800 | 208,893 | – | – | – | 222,693 |
| Receivables and prepayments | 20,040 | 47,801 | 5,665 | 205 | 137 | 73,848 |
| Restricted cash | 71,896 | – | – | – | – | 71,896 |
| Cash and cash equivalents | 24,375 | 32,961 | 1,113 | 1,826 | – | 60,275 |
| Long term receivables | – | – | – | 740 | – | 740 |
| Investment securities | 246 | – | – | – | – | 246 |
| | 130,357 | 289,655 | 6,778 | 2,771 | 137 | 429,698 |
| **Total financial liabilities** | | | | | | |
| Merchant creditors | 56,501 | 108,014 | – | 1,171 | 19,837 | 185,523 |
| Trade and other payables | 2,921 | 98,556 | 3,757 | 9,346 | 1,229 | 115,809 |
| Borrowings – current | 17,980 | 130,477 | – | – | – | 148,457 |
| Other liabilities | 89 | 15,120 | 7,866 | – | 113 | 23,188 |
| Borrowings – non-current | 111,719 | 169,083 | – | – | – | 280,802 |
| | 189,210 | 521,250 | 11,623 | 10,517 | 21,179 | 753,779 |
| **Net position** | (58,853) | (231,595) | (4,845) | (7,746) | (21,042) | (324,081) |

### Sensitivity Analysis

As USD is pegged with AED and JOD, the table below calculates the effect of a reasonably possible movement of the USD currency rate against the various currencies, with all other variables held constant, on the profit or loss (due to the fair value of currency sensitive monetary assets and liabilities).

| Assumed change from year end exchange rates | EGP 1% | Others 1% |
|---|---|---|
| **2019 – USD'000 ±** | **(13)** | **15** |
| 2018 – USD'000 ± | (48) | (210) |

### Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of incidents with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

The Group has implemented an Operational Risk Management Policy which is aligned to the Enterprise Risk Management Framework to identify, assess, manage and monitor its operational risks across all business processes.

Operational risk management practices are embedded in the organisation risk culture through the application of the following operational risk management tools. These tools are guided (as deemed appropriate) by the seven step risk management reporting process outlined above in the risk management section.

- Risk Assessment ('RA')
- Risk and Control Self-Assessment ('RCSA')
- Key Risk Indicators ('KRIs')
- Incident and Loss Management ('ILM')
- Operational Risk Management System ('ORMS')

### Capital management

The Board of Directors monitors the Group's performance in relation to its long range business plan and its long-term profitability objectives.

There were no changes in the Group's approach to capital management during the year. The Group has complied with all externally imposed capital requirement.

## 29. Group entities

### Significant subsidiaries

| Company name | Registered address | 2019 |
|---|---|---|
| ***Direct subsidiaries of Network International Holdings PLC (the ultimate parent entity)*** | | |
| Network International Holding 1 Limited<br>Network International Holding 2 Limited | Unit GV-00-03-01-BC-10-0, Level 1, Gate Village Building 3, Dubai International Financial Centre, PO Box 9275, Dubai, United Arab Emirates | 100%<br>100% |
| ***Indirect subsidiaries of the ultimate parent entity*** | | |
| Network International LLC*<br>Mercury Payments Services LLC<br>Diners Club (UAE) LLC | Level: 101-201 – Emirates NBD – AL Barsha (2), PO Box 4487, Dubai UAE | 49%<br>70%<br>99% |
| Network International Investment Pte. Ltd. | 112, Robinson Road, # 05-01, Singapore 068902 | 100% |
| Network International Investment Holding Limited<br>Network International Services (Mauritius) Limited | Les Cascades, Edith Cavell Street, Port-Louis, Mauritius | 100%<br>100% |
| Network International Payments Services Nigeria Limited | 4th Floor, Block B, 3 Force Road, Onikan, Lagos, Nigeria | 100% |
| Network International Payment Services Proprietary Limited | Letterstedt House, Newlands on Main, Main Road, Claremont, 7708, South Africa | 100% |
| Network International Services Limited Jordan | Abdul Raheem Al-Wakeed St Building No. 43 Shmeisani Amman Jordan | 100% |
| Network International Payment Services (S.A.E.)<br>Network International Egypt Company (S.A.E.)<br>Egyptian Smart Cards Company | Building 13C01, Southern Business Park C, Cairo Festival City, Cairo, Egypt. 92, Tahrir Street, Dokki, Giza | 99.9%<br>98%<br>99.9% |
| Diners Club Services Egypt (S.A.E.) | 55 Kods Sharif Street, Mohandessin, Giza, Egypt | 98% |
| Network International Arabia Limited | Building Number: 3074, Prince Mohammed Bin Abdulaziz Road, Level 29, Tower B, Olaya Towers, PO Box: 15870, Postal Code: 11454, Riyadh, Saudi Arabia | 100% |
| ***Associate of Network International LLC*** | | |
| Transguard Cash LLC | B Wing, 1st Floor, Dubai Airport Free Zone | 50% |

* 51% shareholding of Network International LLC is owned by Leaf Holding Limited, (a Company registered under Dubai International Financial Centre, Dubai) which is a local sponsor as per the requirements of the UAE laws.

## 30. Contingencies and commitments

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Performance and other guarantees | **8,399** | 4,966 |
| Commitments | **3,155** | 11,497 |
| | **11,554** | 16,463 |

Commitments includes capital expenditure commitments against what the Group has committed with different vendors to procure the assets but has not yet acquired them.

## 31. Subsequent events

There were no subsequent events identified until the date of the issuance of these consolidated financial statements. The Directors have proposed a dividend of USD 3.1 cents per ordinary share to the shareholders of the Company.

# Network International Holdings Plc Statement of Financial Position
as at 31 December 2019

| | Note | 2019 USD'000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | 6 | **1,553,158** |
| Investment in subsidiaries | | |
| **Total non-current assets** | | **1,553,158** |
| **Current assets** | | |
| Other receivables | | **147** |
| **Total current assets** | | **147** |
| **Total assets** | | **1,553,305** |
| **Liabilities and shareholders' equity** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Due to a related party | 7 | **5,486** |
| Other payables | | **2,042** |
| **Total current liabilities** | | **7,528** |
| **Total liabilities** | | **7,528** |
| **Shareholders' equity** | | |
| Share capital | 8 | **65,100** |
| Retained earnings | | **1,480,677** |
| **Total shareholders' equity** | | **1,545,777** |
| **Total liabilities and shareholders' equity** | | **1,553,305** |

The notes on pages 196 to 199 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Simon Haslam**
Director and Chief Executive Officer
08 March 2020

# Statement of Changes in Equity
for the period from 27 February 2019 to 31 December 2019

| | Share capital USD'000 | Retained earnings USD'000 | Total shareholders' equity USD'000 |
|---|---|---|---|
| **As at 27 February 2019** | **65,100** | **1,500,880** | **1,565,980** |
| Total comprehensive loss for the period | **–** | **(8,787)** | **(8,787)** |
| Purchase of treasury shares | | **(12,821)** | **(12,821)** |
| Share based payment | | **1,405** | **1,405** |
| **As at 31 December 2019** | **65,100** | **1,480,677** | **1,545,777** |

The notes on pages 196 to 199 form part of these financial statements.

# Notes to the Financial Statements

**1. Basis of preparation**
Network International Holdings PLC (the 'Company') was incorporated on 27 February 2019. The Company was incorporated as part of reorganisation to facilitate Network International Group's listing on the London Stock Exchange. The Company's accounts are prepared based on FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have therefore been prepared in accordance with FRS 102 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The net loss after tax for the Company was USD 8.8 million for the period from 27 February 2019 to 31 December 2019.

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, and presentation of a cash flow statement, standards not yet effective and related party transactions. Where relevant, equivalent disclosures have been given in the consolidated financial statements of Network International Holdings PLC, which the Company is consolidated in. We expect to continue to take advantage of this disclosure exemption for the foreseeable future. The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value.

These are the first financial statements of the Company following the listing. The Company listed its shares on the London Stock Exchange on 12 April 2019.

The principal steps of the Group reorganisation were as follows:
- On 27 February 2019, the Company was incorporated by Network International LLC for 100 ordinary shares of GBP 1 each.
- On 20 March 2019, Network International LLC transferred investment in Network International Holdings PLC to the shareholders.
- On 29 March 2019, the existing share capital of the Company comprising of 100 shares of GBP 1 each was split 10:1 into 1000 shares of GBP 0.10 each. Subsequently, on the same day, the Company issued 1,396 new shares of GBP 0.10 each for GBP 139/USD 180. This was followed by a share consolidation resulting in total share capital comprising of 100 shares of GBP 2.396/USD 3.119592 each. The net effect of this restructuring of capital was to increase the nominal value per share to GBP 2.396/USD 3.119592 for 100 shares outstanding.
- On 29 March 2019, the Company issued 499,999,900 shares to existing shareholders (254,999,949 to Emirates NBD PJSC and 244,999,951 to WP/GA) of par value GBP 2.396/USD 3.119592 per share in exchange for acquiring the shares of the subsidiary (Network International Holding 1 Limited) and the shareholder's receivables from Network International Holding 1 Limited. This resulted in the creation of share capital of USD 1,559,795,688 and share premium of USD 6,183,530 (being the difference between the carrying value of the shareholder's receivable of USD 13,614,704 and the corresponding nominal value of shares issued of USD 7,431,174).
- On 1 April 2019, the Company undertook a capital reduction by reducing the nominal value of its shares in issue from GBP 2.396/USD 3.119592 to GBP 0.1000 per share/USD 0.1302 and cancellation of share premium created above.

The capital reduction resulted in the creation of distributable reserves of USD 1,507,767,530. The difference in the GBP/USD foreign exchange rate between the date of share issuance and capital reduction resulted in the creation of a foreign exchange difference of USD 6,888,000, which would be considered as a realised loss and hence, has been netted off against the Company's retained earnings on the statement of financial position.

**2. Functional and presentation currency**
The Company's functional currency is British Pound ('GBP'). The Company's financial statements have been presented in United States Dollar ('USD') to align with the Group presentation currency. All financial information presented in USD has been rounded to the nearest thousands, except when otherwise indicated.

**3. Going concern**
The Company acts as the ultimate holding company of Network International Group (the 'Group'). The Group has made a profit of USD 57.0 million with cash inflow from operating activities of USD 131.2 million for the year and has a net asset position of USD 238.7 million as at 31 December 2019. Furthermore, the Group meets its day-to-day working capital and financing requirements through its cash generated from operations and its bank facilities. Notwithstanding the net current liability position of the Group and the Company, the Directors have, based on the above Group's and the Company's future business plan and other due considerations, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on going concern basis.

**4. Significant accounting policies**
**a. Investment in subsidiaries**
Investment in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

**b. Dividends**
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividends payable to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

**c. Financial instruments**
Financial assets and financial liabilities are initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**d. Share based compensation**
The Company currently operates the following share based compensation plans for its Group entity employees.

- Long Term Incentive Plan (LTIP)

LTIP is an equity-settled share-based payment. The Company's accounting policy with respect to these incentive plans are as under.

**Equity settled share-based payment**
Equity-settled share-based payment transactions, in which the Company receives services as consideration for equity instruments of the parent entity (including shares or share options).

For equity-settled share-based payment transactions, the Company measures the services received, and the corresponding increase in equity, directly, at the fair value of the services received. If the fair value cannot be estimated reliably, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received. The fair value of the equity instruments granted is measured at grant date.

For services measured by reference to the fair value of the equity instruments granted, all non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments. However, vesting conditions that are not market conditions are not taken into account when estimating the fair value of the shares or options at the relevant measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition (other than a market condition).

The fair value of equity instruments granted should be based on market prices, if available, and to take into account the terms and conditions upon which those equity instruments were granted. In the absence of market prices, fair value is estimated, using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

The Company has calculated the fair value of the equity instruments granted by applying on well-established principles of financial analysis, adapted as appropriate to meet the requirements of valuing individual incentive plans. For the valuation of the plan with only non-market conditions, the Black-Scholes model has been used whereas, for the valuation of the incentive plan with market condition, the Monte-Carlo model has been used to compute the fair value of the equity instruments.

After vesting date and a corresponding increase in equity, no subsequent adjustment to total equity shall be made. The Company will not subsequently reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited or, in the case of share options, the options are not exercised. However, a transfer within equity is allowed, i.e. a transfer from one component of equity to another.

**5. Critical accounting estimates and judgments**
The preparation of financial statements requires Directors to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the Financial Statements continued

**6. Investment in subsidiaries**

| | 2019 USD '000 |
|---|---|
| On incorporation – 27 February 2019 | – |
| *Additions* | |
| Investment in Network International Holding 1 Limited | **1,553,158** |
| | **1,553,158** |

As at 31 December 2019, the investments in Network International Holding 1 Limited (as above) and Network International Holding 2 Limited (USD 100) comprises 100% of their ordinary share capital.

**7. Due to a related party**

| | 2019 USD '000 |
|---|---|
| Network International LLC | **5,486** |

**8. Share capital**

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

| | 2019 USD'000 |
|---|---|
| **Issued and fully paid up** | |
| 500,000,000 shares of USD 0.1302 each | **65,100** |

**9. Share based compensation**

The Company has established a long term equity settled share based incentive plan (Network International Holdings Long Term Incentive Plan 'LTIP Plan') which is awarded to the eligible employees and subject to the condition specified under the LTIP Plan rules through 2 grants.

Key features of Grant 1 is as follows:
- Under Grant 1, the plan is rolled out to select eligible employees of the Group.
- The award under this grant will normally vest on the third anniversary of the Date of Grant, unless an event occurs before then which causes the Award to vest under the rules of the LTIP Plan.
- Multiple performance conditions apply to the Award (including market and non-market), and the Award may only vest to the extent that the performance condition have been satisfied.
- The Board will have discretion to determine that an award will vest to a lesser extent despite the performance condition having been satisfied in whole or part, if it considers that the overall performance of the Group or the Participant (in either case as determined by the Board) does not warrant the Award vesting to the full extent determined by the satisfaction of the performance condition.

Under Grant 2, the plan is rolled out to all the employees of the Group based on meeting some eligibility criteria, as an incentive in recognition of the efforts to support the listing of the Group. The award vesting is subject only to the participant's continued employment with the Group.

Below are the details of both grants:

| Particulars | Date of grant | Grant date share price | Vesting Condition | Contractual life of options |
|---|---|---|---|---|
| Grant 1 | 17-May-19 | GBP 5.3 | a) Adjusted EPS<br>b) Revenue<br>c) Relative TSR | 3 years |
| Grant 2 | 24-Oct-19 | GBP 5.25 | Service condition only | 1.5 years |

Details of number of shares to be vested under Grant 1 for the achievement of performance condition:

| | CAGR | | |
|---|---|---|---|
| Awards vesting | Adjusted EPS | Revenue | Relative TSR |
| Weightage | (50%) | 25% | 25% |
| 0% | less than 12% compound growth p.a. | | below median performance |
| 25% | 12% compound growth p.a. | | company achieves median positioning relative to the comparator Group |
| 100% | 16.5% compound growth p.a. | | company achieves upper quartile positioning relative to the comparator Group |

Note: For all the elements of the award vesting is subject to a share price underpin of GBP 4.35 at the end of vesting period.

Detail of the valuation assumptions:

| Description | Grant 1 | Grant 2 |
|---|---|---|
| Valuation model | Black-Scholes and Monte-Carlo model | Black-Scholes |
| Risk free interest rate | 0.69% p.a. | 0.51% p.a. |
| TSR Comparator Group | Constituents of the FTSE 250 at the time of grant | – |
| Dividend equivalent | 0% (assumed participants entitled to dividends or dividends equivalents) | 3% assumed dividend yield |

At the date of the awards granted, the Company has calculated the fair value of both the grants to recognise a charge amounting to USD 1.4 million in the consolidated statement of profit or loss for the year ended 31 December 2019 with a corresponding increase in equity.

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